The MAGAZINE of WALL STREET

and BUSINESS ANALYST

DECEMBER 25, 1954

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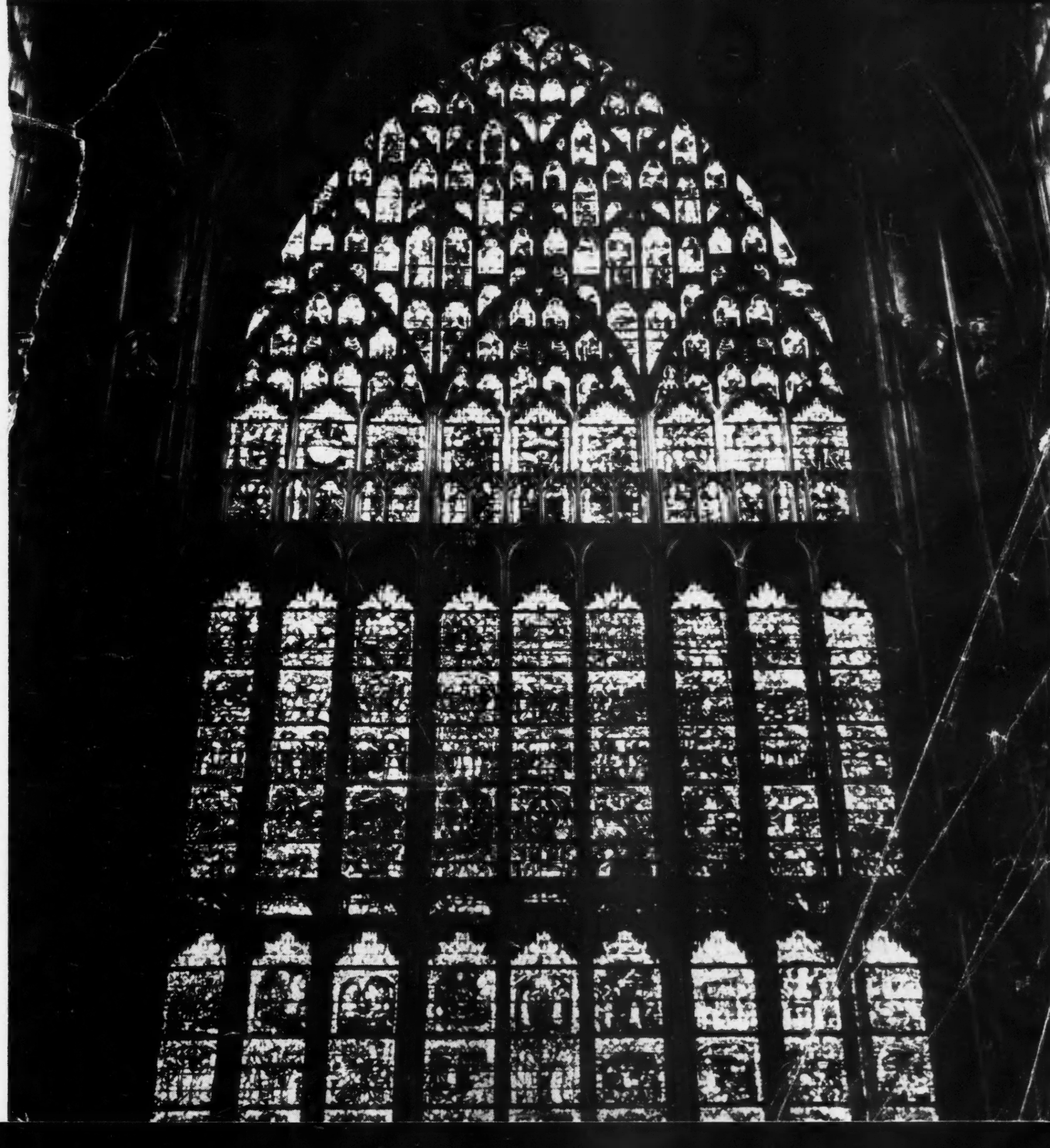

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Cover Photo by Philip Gendreau

Map: Pg. 381—The N. Y. Times. Photo: Pg. 362—by Ewing Galloway, N. Y.

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To Our Friends And Subscribers

IT'S ADORABLE, isn't it? And the tender look on the face of Santa — it is love! And that's what Christmas means.

And we are all hoping there will be peace and a good life for those we cherish in the new age into which we are painfully moving — casting off the chains that bind us to old habits and outworn ideas — just as the Nautilus throws off one shell after another as he grows to maturity.

We are living in an age in which the wildest dreams of imagination are coming true. The flying carpets of our childhood are the airplanes of today. The distant voices and scenes of foreign lands are brought into our homes by television. We are even exploring the heavens and the depths of the seas.

But, will man in the process discover the way to live in peace with his fellow-man and break the shackles of psychological blocks of hate, fear and greed and really become civilized — or will the solving of the eternal riddle always be the province of the few whose love and understanding keeps the world on an even keel?

One thing is certain — nothing is impossible! And I think those of us who look forward to a better life will always have it, for what we see in our mind's eye we can realize by working toward it.

To you, our friends and subscribers, whom we are happy to serve in the year ahead, with all our hearts we wish you well in your undertakings and a full measure of happiness and contentment.

C. G. Wyckoff

Publisher

The MAGAZINE of WALL STREET

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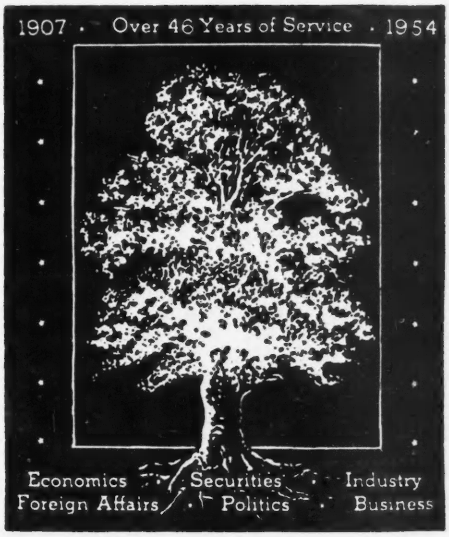
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

THE PRESIDENT'S PLAN TO MEET RUSSIA'S ECONOMIC OFFENSIVE . . . Though the Soviets have reverted to their old habit of hurling threats against the West in an attempt to prevent the Paris pacts from being ratified—there is ample evidence to show that the battlefield of the cold war is shifting from the purely strategic-military phase to the economic. This is particularly in evidence in Asia where Russia is courting various nations with what disconcertingly appears to be a fairly substantial amount of economic aid and technical assistance. Needless to say, the Russians are not doing this out of the goodness of their hearts but because they expect to achieve important political gains.

The President is keenly aware of the implications of any long-term advance by Russia over the United States in this vital sector of the world's trouble spots. And he will soon respond to this threat by urging Congress to extend economic aid to Asia on a large scale. In this way, he expects to counteract the Russian efforts and, perhaps, to nullify them in large measure.

That the President will have much success with Congress in this matter is open to question. As a matter of fact, even his own advisers are split on the advisability of granting large-scale economic aid to Asian nations. Many of them believe the money will be wasted, or used inefficiently as happened to so much of our contributions in the past. Others believe this will further unbalance the budget, and there are many influential leaders, in both parties, who will seek to prevent further unsettlement of the budget at all costs.

However, the President is apparently insistent that measures be taken to place the United States in first position so far as aid to Asia is concerned. This, he believes, will blanket Russian efforts.

In order to further this objective, he has just appointed former Budget Director Joseph Dodge to coordinate foreign aid. Since Mr. Dodge is known to hold conservative views on government expenditures, it is not likely that he will recommend any lavish give-away program but he can probably make a somewhat better showing with budget-minded Congressional leaders than would any other appointee who might be suspected of favoring too liberal aid to the under-developed nations of Asia. In any case, the President will do well to achieve even a part of his aims but, at least, this would be a start toward an effective parrying of the current Russian economic thrust.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

It is obvious some sort of a plan must now be evolved to counteract growing communist influence in Asia. However, nothing should be attempted which would weaken our financial position. We must remain financially strong at all costs.

Therefore, the practical problem of granting material aid to Asiatic nations who are

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907—*"Over Forty-six Years of Service"*—1954

still on this side of the Iron Curtain must be viewed realistically, that is in terms of our acute budgetary difficulties. Because of the inherent contradictions in these varying needs, the President would seem to have a perplexing and unenviable task on his hands.

MR. REUTHER'S "NEW DEAL" . . . The annual convention of the Congress of Industrial Organizations, just ended in Los Angeles, was notable for the number of economic follies propounded there by Walter Reuther, president of the organization. It was also, unhappily, notable for the subservience of the Secretary of Labor. At a time when some spokesman for the eminently sane Eisenhower Administration should have been denouncing the nonsense that had been uttered, its spokesman instead was encouraging the union bosses.

To confuse matters more, even before the convention opened, Mr. Reuther had promised the United Auto Workers a guaranteed annual wage, if he had to shut down the automobile industry for it. Ironically, this almost coincided with the introduction of new model cars for 1955—cars on which the Big Three manufacturers had spent a billion dollars to launch an experiment in giving not merely the jobs that were supplied by the industry last year, but even more jobs.

Further, on the convention's eve, Mr. Reuther proposed that the Federal Government subsidize every worker who lost his job to what is loosely called automation—meaning the development of machines that perform a series of tasks unaided after their original setting.

Even Mr. Reuther cannot believe the nonsense he uttered. Certainly, the four million members of his union do not believe it. At an important convention, like that of the CIO, time should have been taken to offer a really constructive labor program, one that would help the country, and thereby help labor itself. Instead, we had a surplus of "pie-in-the-sky" proposals which are meaningless and worthless.

THE CAPITAL GAINS TAX AND STOCK "SCARCITY" . . . One of the most remarkable features of a remarkable stock market is the reluctance of investors to take profits accumulated over the past few years in that rather select category of stocks which, in this period, have doubled, tripled or even quadrupled in value. The reason for this is the peculiar working of the capital gains tax which takes a 25% slice of profits over a six-month period or longer. It is not difficult to understand the reluctance of investors to part with their shares even at prices so high that they would have been undreamed of a few years ago, when it is considered that this means incurring a tax liability that is very steep indeed, and this liability grows greater automatically, the higher the stock mounts. Naturally this is a problem that adds to the discomfort of many an investor.

A simple example may illustrate the extent of the cost to investors of the capital gains taxes. Assume that the investor bought DuPont in 1948 at the then average price of $175.00 a share. The stock has since been split four-for-one and at the current price of $165.00 is selling at the equivalent of about $660.00 a share on the old stock. This means a huge profit of $485.00 a share, with the capital gains tax at about $120.00 a share.

Very few investors are hardy enough to pay a tax of such dimensions without grimacing in pain. Furthermore, by this time the "lucky" investor in DuPont does not think of his $660.00 a share value in terms of profit mainly but rather in terms of capital. Hence, when he pays out $120.00 a share in taxes, this means to him that 20% of the principal is "gone." Accordingly, with this investor actuated by a desire to avoid losing part of his capital rather than in thinking in terms of taking a profit, it is not difficult to see why he prefers to maintain a position in his stocks indefinitely, perhaps in the hope that some day in the future the capital gains tax will be ended and he will then be able to sell without incurring abnormal penalties.

Some side-effects of the capital gains tax should also be noted: Through long-term advances of investment stocks, yields are reduced to extremely low levels, and the premiums paid by new purchasers at the current elevated levels for quality stocks can be justified only by the expectation of adequate long-term appreciation. This means that the stocks bought at high levels by new purchasers are also taken out of the market with a further reduction of the available supply. In this case, the permanent withdrawal of stocks from the market by individuals seeking to avoid payment of heavy capital gains taxes has a direct effect on newcomers to whom this tax is not of such consequence at the moment.

While many investors feel that they "cannot afford" to accept profits in view of the capital gains liability, this attitude could change materially in the event of an economic downturn of substantial proportions. In that case, the supply of stocks would probably increase rapidly as investors attempted to secure as much of their profits as possible in a liquidating movement.

This means that the capital gains tax which is now working toward the restriction of the supply of good stocks may reverse its effect in a seriously declining market and bring about a more rapid decline than would have been necessary otherwise.

DIXON-YATES . . . Edgar H. Dixon, President of Middle South Utilities, Inc., deserves the nation's praise for the manner in which he has conducted himself throughout the furor raised by public power advocates over the so-called Dixon-Yates contract, in which Mr. Dixon's company has an 80 per cent interest.

It should always be kept in mind that while the form of the Dixon-Yates contract has been the subject of attack, the form was not what the TVA supporters, who led the onslaught, were concerned with. They wanted to establish the principle that anyone who meddled with the divine right of the TVA to expand should be not only thwarted but also held up to public contempt.

Some of President Eisenhower's strongest journalistic and political supporters have urged that he back away from the Dixon-Yates deal. He has refused. Mr. Dixon, carrying the ball for the project, has likewise refused to give ground. But before the Dixon-Yates contract degenerates into an exclusively political hair-pulling match, it would be well to give a fair hearing to Mr. Yates' figures. Maybe, he is not trying to "ruin" the country, after all.

As I See It!

By E. D. KING

ATOMS FOR PEACE

It is just a year ago that the President, in his famous speech to the United Nations General Assembly, made his epochal proposal that the nations of the world pool their atomic resources for the furtherance of peace and for the betterment of mankind, especially in the under-developed areas. The effect of his proposal was to give the world new hope that a way could be found for the beneficial use of the enormous new power of atomic energy instead of mutual destruction through hydrogen-bomb warfare.

Out of fear of world opinion, including that of their own miserable masses, even the Soviet government could no longer afford to resist the universal appeal of the President's message and, though grudgingly and after a full year's delay, finally voted with all the other members of the United Nations for the "atoms for peace" resolution, the first time in its history that the 60 member nations have acted unanimously.

Although they were compelled to save face through concurring with the resolution, the Russians, apparently, are still hesitating to join the international atomic pool now in formation and without which, of course, the resolution could not be truly fruitful. Until they do so, the atomic pool must be limited only to the free nations.

Nevertheless, by excluding itself from active participation in international cooperation in the peaceful use of atomic energy, the Soviet government is placing itself under an enormous long-term political as well as economic disadvantage, of which it must be fully aware. This arises from the fact that as the international pool gains in knowledge of the special techniques to be acquired, through harnessing atomic power to industrial and other peace-time uses, the Russians through their wilful failure to participate in the international exchange of the new knowledge and skills, will have, in effect, consigned themselves to a relatively inferior position in the economic hierarchy of nations. Within a comparatively brief period—perhaps a decade or so—the Russians, concentrating primarily on military applications of atomic power, may find themselves hopelessly outdistanced in the ultimately vastly more important field of the peaceful use of fissionable materials.

JUST WHAT THE DOCTOR ORDERED

Arlt, in the N. Y. Herald Tribune

The implications of this prospect are not to be under-rated. As the economic betterment of the free world rapidly becomes more pronounced through the expansion of atomic energy for peaceful use, whatever attraction communism may have for under-privileged peoples will disappear. Furthermore, the peoples living under the hammer and sickle must inevitably be caught up in an irresistible desire to share in the fruits of these advances. Unless their governments are able to provide them with these immensely valuable facilities for a better life, they are likely to be overthrown from within.

It is quite within the realm of probability, therefore, that as the potential benefits in the peaceful use of atomic energy become more universally appreciated, the communist leaders, rather than risk being deposed by their irate peoples, would agree to join fully and without reservation in the international atomic pool in all its phases. But this could not be done without altering the very structure of the Soviet government, as cooperation with the West would require the Soviets to abandon all aggressive designs, which, of course, would be equivalent to abandoning the basic tenets of communism itself. Hence, it may not be too far-fetched to see in the United Nations "atoms for peace" resolution the seed of the ultimate dissolution of world communism as well as being the forerunner of final and universal peace.

All this, of course, is something for future years to develop to its full fruition. In the meantime, and until these to-be-hoped for changes in the Soviet state occur, we must proceed with the military phases of the use of atomic energy while we bend all efforts to unlocking the key of its universal use for peace.

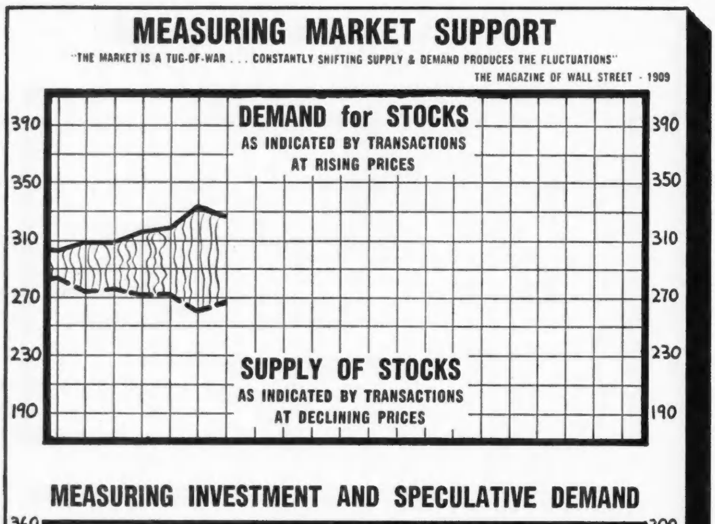
Outlook for Early 1955 Market

There is no evidence suggesting loss of vigor in the bull market up to this time. Corrective phases are inevitably ahead, but conjectural as regards timing and scope. In the absence of any great speculative excess, a basis for major decline is not foreseeable. Putting selective emphasis on individual stock values is still the best policy.

By A. T. MILLER

The stock market is "more of the same"—which is to say that it is still featured by more strength, however, selective, than by weakness. As regards the trend of business activity, earnings and dividends, the environment is favorable. Sentiment is always mixed—for a share of stock bought on one side of a transaction is a share sold on the other—but is more bullish than otherwise in that investors and traders remain generally more willing to hold or buy stocks than to sell. Profit taking is inhibited by the capital gains tax. The supply-demand balance within the market is such as to make the upward side the one of lesser resistance for stock prices. Despite day-to-day variations and recurrent dips in prices, it is still the general rule that selling is easier than buying: in that not much accumulation of attractive stocks can be carried out without raising the bids, while sellers get asking prices or better.

The past fortnight brought another minor and brief correction, mostly confined to the industrial list as reflected by a December 8-14 dip of nearly 7 points (materially less than 2%) in the Dow industrial average. Rails and utilities were little affected. Usually indicative of an uptrend market, trading volume dwindled on the slight sell-off. By the middle of last week "the party" was under way again, with festivities in full swing by the week end. Otherwise detailed, all three of the Dow averages—industrials, rails, utilities—are at new bull-market highs at this writing. That, of course, means another new all-time high for industrials.



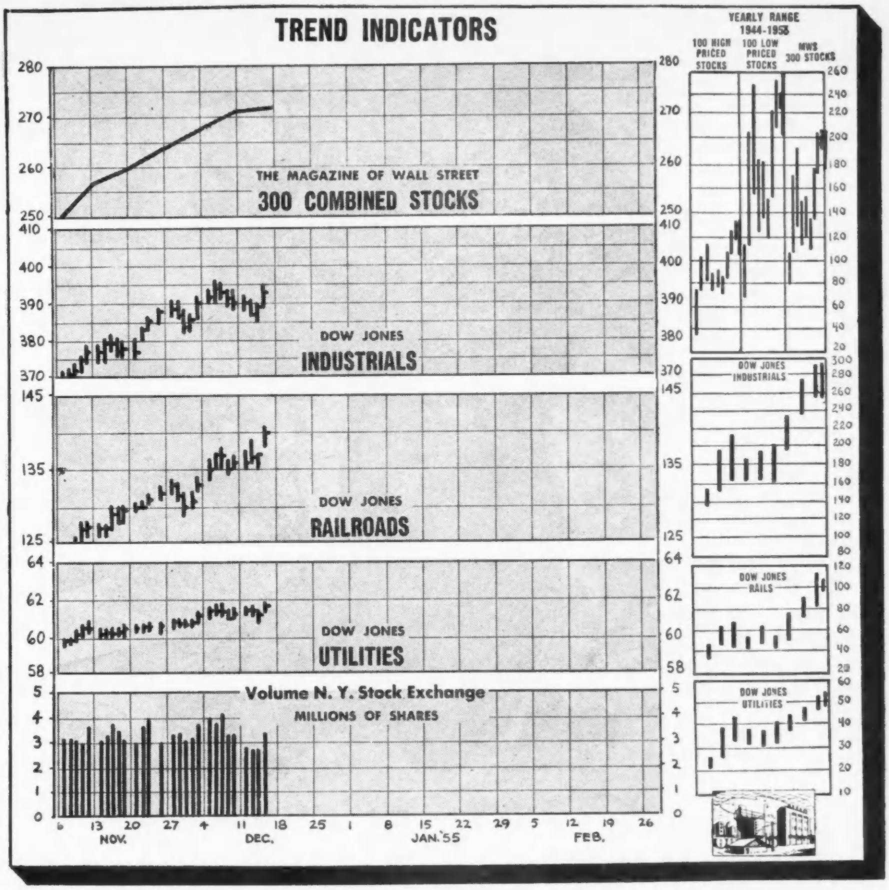
Near-Term Outlook

It is not surprising that the latest market dip was insignificant and that it has been followed by renewed and fairly broad strength. At this season of the year and extending at least into early January, strength has been the usual rule, with reactions rare and slight. The reasons include a combination of the following: (1) subsidence of tax-selling, which has been very light this year; (2) a tendency to defer profit taking so as not to increase current-year tax liability; (3) re-investment demand stemming from the heavy December dividend and interest payments; and (4) perhaps the normal human optimism and good cheer which are emphasized at the season which brings Christmas, followed shortly by the turn to the new year.

Since shortly before the Congressional elections the market has been advancing at an average rate of close to 7 points a five-session week, measured by the Dow industrial average. No experienced investor needs to be told that such a pace cannot continue. That is a rate of about 364 points a year, whereas the entire rise from the September, 1953, low has been about 138 points in 15 months—and that has also been a faster pace than is set by most bull markets.

So, of course, there must be reactions

and extended pauses ahead. The only question is when and how much; and the answers are largely guesswork. Possibly some investors will be willing to take more profits soon, when they will go into 1955 tax liability. But taxes will still take the same proportion of realized profits, and will still be distasteful to contemplate. Moreover, there is plenty of cash available for investment and speculation. Some of it represents the usual accumulation of savings in the hands of individuals and institutions who are stock-minded or partially so. They would probably welcome a sell-off for buying purposes. So would some "sold-out" bulls, although many of these would have to wait for a bear market to get back in at the levels at which they sold out.



Another consideration is that there is now an increasing demand for stocks on the part of what can be called the "itchy" element – people who have never before been interested in the market or who get stock-minded only when a bull market reaches the exciting and increasingly risky stage, with considerable publicity.

So, whether the supply-demand balance in the market might shift enough in January to produce a set-back of any significance is obviously conjectural. Potential buyers have a choice of waiting for "a good reaction" in the averages sometime, say, within the first quarter of 1955; or of ignoring general trend and shopping around for relatively satisfactory values in individual stocks. The latter policy generally works best. Ignoring the "itchy" faction, which will eventually find itself hung up in overpriced stocks, it can be recommended to those having genuine need to employ cash over and above reasonable reserves. Since the general position is not yet extreme, as measured by price-earnings ratios, yield factors, margin debt, etc.—and since we have only recently ended a business recession and started an upward cycle—the wait for a bear market might be a long one. Otherwise, it must be kept in mind that corrective reactions (without aid of significant news shock) rarely run to as much as 10% in the industrial average in modern bull markets, and that the odds against "calling the turn" on them are extremely great.

The Washington Attitude

There is evidence that officialdom may be getting a bit uneasy about the market boom, fearing that excess and subsequent relapse would impair business confidence. The Federal Reserve seems to be backtracking a shade from an "active policy of easy money" to an "easy money" policy, permitting interest rates to tighten slightly at least for the moment. Clearly the Board is not ready for vigorous repressive action, and the situation does not justify it. Yet mild gestures, including possibly boosting margin requirements from 50% to 60% (leaving room for further boosts later on, if deemed necessary) would have no more than limited and temporary effect on the market, other things being equal.

Moderate Rise in Margin Debt

Margin debt has risen, but it has risen relatively less than stock prices. Thus, at the end of November, brokers' loans on non-Government collateral were only 0.95% of total value of stocks listed on the Big Board, compared with 1% on October 31 and with 1.02% around the minor-bear-market low of September 1953, when the Dow industrial average was nearly 140 points lower than it is now. For reference, the ratio was about 9.0 around the 1929 market high, 1.85 at the 1937 market high and 0.9 at the 1946 high, but prior to the latter it had gone as high as 1.88% of value of shares listed.

Led by the auto and steel industries, industrial activity is making a strong showing, but the pace seems likely to slacken by next spring for, like that of the market, it is too fast, especially in the case of auto output, to continue any great time. You should continue to follow a carefully selective investment policy.—Monday, December 20.

Region-by-Region Survey— Forecast of Business Trends

By HAROLD DU BOIS

Over the past two years, business conditions, viewed on a broad regional basis, have pursued a very diversified pattern. In the East, and in the great industrial heartland that forms the Pittsburgh-Cleveland-Chicago Federal Reserve Districts, business rose into an intense boom phase in the year following the historic steel strike of mid-1952. These areas, which are concentrated in steel and other durable goods activity, naturally benefitted most from the defense-consumer durables boom of 1953, and they accordingly suffered most in the ensuing year of decline in these basic durables demands.

In other areas, the course of business has been much less cyclical. It has been composed, in part, of the growth consequences of gradual decentralization —the slow spread of industry out of the highly industrialized East into less crowded sectors of the South and West. Woven into the trends in these other areas has also been the slow farm recession of the past two years, which, strangely, did not accelerate during the course of the 1953-1954 general business recession.

Industrialized America thus experienced a pronounced up-and-down pattern over the past two years, while rural America drifted. As a result, the end of the industrial recession has found these two broad sectors back in an approximate balance, and ready to go forward in a broad general advance. A year ago, the outlook for general business varied widely by area. (This was fully discussed in our Nov. 23, 1953 issue.) Today, while significant differences appear in the regional outlooks, they are not of the violent dimensions of late 1953.

* * *

The First Federal Reserve District, with headquarters in Boston, includes virtually all of New England (Maine, New Hampshire, Vermont, Massachusetts, Rhode Island and Connecticut). The District was struck by severe recession in late 1953. In Massachusetts and Maine, dwindling textile demand created serious unemployment and stranded a number of mill towns. In Rhode Island, the machinery, fabricated metals and jewelry industries fell gradually into recession. In the industrialized area such as Bridgeport, Connecticut, there was an acute general problem of falling employment, shrinking retail

trade. And in this already mature region, there were few newly developing industries to offset the slippage of mature industries. For New England, the 1953-1954 recession was real and tangible, although not so severe as in the East-North-Central states of Illinois, Michigan, Pennsylvania.

Trend in "Mature" Areas

In this mature industrial area, modest recovery has already begun. The textiles and electrical machinery industry, both important contributors to incomes in the area, have shown steady although not phenomenal improvement since early summer. Total incomes and trade in the region have begun to revive, although they are still moderately below a year ago. In Rhode Island, employment is now rising rapidly, although it is still about 7% below a year ago. (Weekly payrolls are down only about 4%, as a result of wage rate advances.) In Massachusetts, employment in the late fall was rising at about ½% per month, although in manufacturing it was still off about 8% from year-ago levels. In the Bridgeport area of Connecticut, and in most other important

Major Trends in 12 Federal Reserve Districts

1. **Boston: Incomes and trade running moderately below a year ago, but rising slightly. Manufacturing employment considerably below a year ago, but decline has been partly offset by rising wage rates. Recent improvement in textiles and electrical machinery partly offset by further declines in transportation equipment production. Construction higher.**
2. **New York: Incomes still slightly below a year ago, but rising. Trade volume about equal to a year ago, and construction activity substantially higher, particularly in lower N. Y. and N. J. In N. J., electrical machinery industry, very hard hit in the 1953-1954 downturn, now recovering. Apparel industry, also important, improving.**
3. **Philadelphia: Income and trade still down, but rising rapidly, with pick up in steel and associated industries. Construction activity about equal to a year ago. This industrial district, hard hit in recession, is recovering at an equally rapid rate, but carloadings, electric power consumption, payrolls, still off substantially.**
4. **Cleveland: Also hard hit in the past year, and also recovering. Income climbing, although still about 6% below a year ago. Trade about 3% below. Benefiting sharply now from higher auto, steel production. Employment, sharply off from a year ago, now rising.**
5. **Richmond: Income about at year-ago levels, trade somewhat above. Construction booming. Manufacturing employment and output still below a year ago around major cities, but plant development in rural areas offsetting this decline, and total employment rising.**
6. **Atlanta: Income above a year ago, and rising slowly. Trade substantially higher. Residential construction extremely high, but industrial building still below 1953. Public works construction high. Manufacturing employment moderately below a year ago, but total employment only slightly down. Area not hard hit in 1954, and is recovering only moderately now.**
7. **Chicago: Recovering rapidly, as a result of steel and auto production boom. Construction of all kinds at extremely high rate. Incomes still below a year ago, but now rising rapidly. Trade about even with a year ago, but nearby improvement very likely.**
8. **St. Louis: Conditions stable for the last 6 months, but recent modest improvement in retail trade. Construction about equal to year-ago, incomes slightly below. Food, chemicals, petroleum, beverage industries all holding their own.**
9. **Minneapolis: Incomes a shade above a year ago, trade also up slightly. Food industries, with exception of canning and preserving, doing well. Paper industry, lumber at high levels. Activity in beverages, machinery and furniture below a year ago; construction far below.**
10. **Kansas City: Incomes well above a year ago, trade far above. Construction booming. Mining and food industries improving steadily, particularly with recent improvement in cattle prices. New industrial plants adding to prosperity. Farm sector apparently past crisis, recovering.**
11. **Dallas: Incomes slightly above a year ago, trade moderately up. Construction slightly ahead and rising. Petroleum industry continuing to invest at record rate, and rising auto assembly partly offsetting continuing decline in aircraft. Chemicals growing rapidly.**
12. **San Francisco: District not hard hit by 1954 recession, recovering modestly except in northwest, where booming lumber demand is causing marked uptrend. Trade about 3% above a year ago, and rising. Agriculture, apparel, chemicals doing well.**

industrial areas of the state, employment has been rising since September, and unemployment falling. In those areas, such as Hartford, where commercial rather than industrial activity predominates, the 1953-1954 recession was not felt sharply, and recovery is correspondingly less conspicuous.

The Second Federal Reserve District, which includes New York and New Jersey, is another mature region. With the exception of heavily industrialized areas of New Jersey (Newark, Paterson, Trenton), and some of the upstate textile towns, the area was not very severely hit by the 1953-1954 recession, and recovery is well on its way. Incomes are still somewhat below a year ago, but the apparel industry and the commercial services which the area exports to the nation as a whole are improving rapidly.

Unemployment is still about 4% of the work force for the district as a whole, but is generally falling. Durables industries and chemicals account for a substantial proportion of industrial employment in the New Jersey and Upstate parts of the district, and recovery in these industries should clear up most of the remnants of recession. (And activity on the Seaway project should benefit the Upstate sector very materially in the last half of 1955.) The outlook for the district, while not as favorable as for some regions which are still in an earlier growth stage, is good. It is particularly good in so far as construction activity is concerned: the area is still inundated by a wave of residential and commercial building activity, on a scale rivalling the great building booms of the past.

The Philadelphia Federal Reserve District, which includes most of the state of Pennsylvania, is the eastern wing of a three-district region that runs through the Cleveland and Chicago Districts to the Western boundary of Iowa. Taken together, this region, including the Third, Fourth and Seventh Federal Reserve Districts, is the industrial heartland of America. It is the home of the steel industry, one of the homes of the petroleum and chemicals industry, the center of automobile and appliance and machine tool production. In short, it is the vital center from which the American industrial trend radiates outward.

This broad area was the first to be hit hard by the 1953-1954 recession. In early summer, 1954, incomes in this area were, on average, about 6% below 1953, while the decline for the nation as a whole was only about 1%. Even in the early Fall, conditions in the three districts were still serious: unemployment in the districts' key labor markets was severe. In mid-September, Cleveland still had 20,000 unemployed; Detroit had 120,000; Flint, 10,000; Saginaw, 4,500; Chicago 67,000; Akron, over 5,000; Youngstown, over 10,000.

Recovery in Steel and Auto Centers

The three-district region is now in a stage of extraordinarily rapid recovery from this recession, but much of the pace of the recovery comes from two sources: steel, and automobiles. The torrid pace set by Detroit for auto production in November and December has already reactivated the western wing of the region, and its effects are noticeable, although not nearly so strong, in the Eastern, or Philadelphia-District, wing. And Detroit's plans for early 1955, which envision the highest first-quarter auto production on record, is testimony to the fact that further rapid improvement should be expected. By late November, unemployment in the major labor markets of the three districts had fallen sensationally—in fact, it appears that the bulk of the decline in national unemployment over the past two months has occurred in this area. By late November, the more Westerly of these labor markets—in Iowa, Indiana, Illinois, Michigan, Ohio, were all reporting unemployment at less than the national average of 4% of the labor force. In the state of Pennsylvania, however, improvement in unemployment has been much slower, largely because of the lagging pace of recovery in the coal industry, where unemployment is chronic anyway.

The outlook for this sector, for the short term, is perhaps the best of any of the Federal Reserve Districts, and of the three, the Cleveland District is perhaps the most favorably located. However, there are some implications in the fact that the impetus to activity in this industrial heartland of the nation has thus far sprung from the recovery of auto production, and an end of inventory liquidation in durables manufacturing industries. While these are unquestionably powerful stimuli, and are driving activity upward at the fastest rate of any area of the nation, they are likely to be temporary stimuli, and the industrial heartland is likely to reach its boom peak much earlier than the rest of the nation. The three-district region is experiencing a purely business-cycle advance; the frontiers of long-term growth in America have long since passed out of the region, moving south and west.

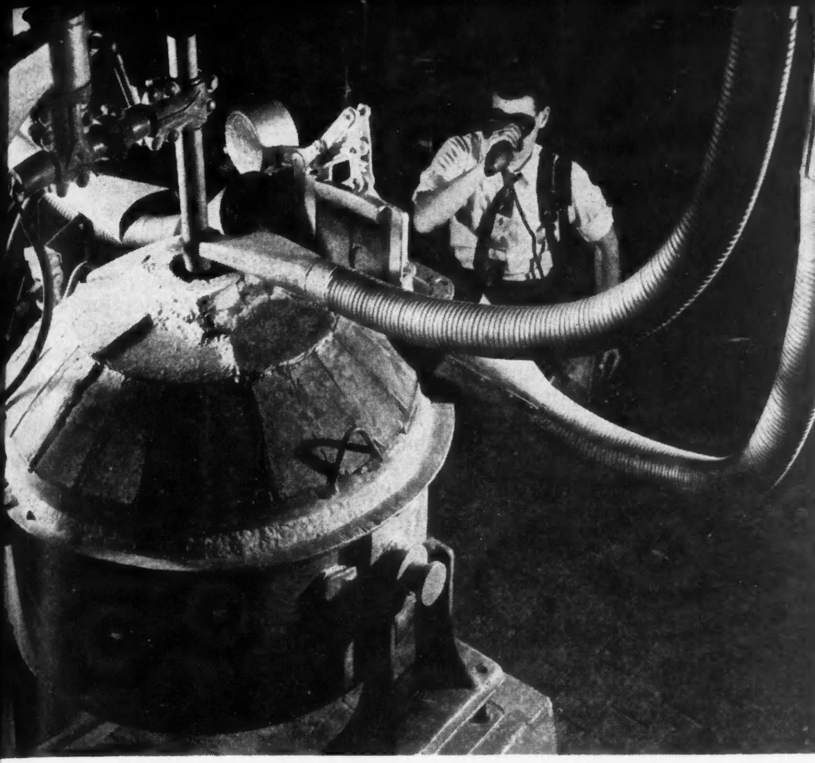
Gradual Expansion in South

The Fifth Federal Reserve District, with Headquarters at Richmond, Virginia, includes the so-called Middle Atlantic states of Maryland, the Virginias, and the Carolinas.

In a sense, the Richmond District presents the reverse case from that of the industrial heartland districts. While the Northern-Maryland end of the district is industrialized and relatively mature, the Southern end is still predominantly rural, with industrialization proceeding rapidly. Incomes in the district were not substantially affected during the 1954 recession, except in and around major cities. In most areas, incomes have already recovered to their 1953 levels, and trade is above 1953. Industrial development of the district has given rise to a booming level of construction activity, and total employment, in both construction and manufacturing, are on the rise.

While the rate of recovery is much slower than in the Cleveland and Chicago districts, it is likely to last much longer. The District is still in a markedly rapid growth trend, which is epitomized by the continued transfer into the district of textile production activities from the New England area. As a result of this continuous transfer, the recovery in textile prices and activity which is now progressing means much more to the Richmond district than it ever did before. Incomes and trade in the area should, by mid-1955, be substantially above current levels.

The Sixth Federal Reserve District, with headquarters in Atlanta, was likewise not hard-hit during the 1953-1954 recession. The area, which includes Florida, Georgia, Alabama, the Southern parts of Mississippi and Louisiana, and Tennessee, is predominantly rural, although its character has changed greatly in the past two dec- (*Please turn to page* 405)



To explore the unknown and to chart therein the possibility of new and better products—this is the role of research. To appraise these developments in terms of future earnings and dividends is the task of the investor. Some of the more spectacular phases of new product research and development among a number of companies are described in this article.

How New Products Expand Company Earnings

By HOWARD WINGATE

Not so long ago, several business men from a small town in the far West while taxiing along Washington's Pennsylvania Avenue, were halted by traffic congestion in front of a government building adorned with a plaque reading "What is Past is Prologue." One of the visitors asked the taxi driver if he knew what the words meant. "Why sure," he replied, "that's only government talk for *you ain't seen nothing yet.*"

A plaque with this identical wording might be appropriately fastened to every industrial plant and research laboratory of hundreds of American corporations whose growth and success are indeed a prologue—the initial stage to a still greater future as they get ready for tomorrow, next year, and the next decade. Moreover, their products and new technological processes generate other new products and techniques in a seemingly endless stream to expand markets, push sales to continuously higher levels and add substantially to net earnings.

One development begets another. In practically every field—electronics, metallurgy, chemistry, textiles, drugs and on through the entire list—new products and new processes are coming into being in rapid succession. some new products now being produced do not directly touch the consuming public. Many of them are what may well be called manufacturers' products, that is to say, ingredients produced for the use of other manufacturers to produce a better paint, an improved or new antibiotic, a more valuable animal feed, and countless other items that raise the standards of health and living for everyone.

A good example of one such product is "Darvyl," something that few persons will ever come across although it is likely to be in their milk, bread, cereal foods or incorporated in the pharmaceutical products which they will ultimately purchase. "Darvyl" is the trade mark of *E. I. duPont deNemours & Co.'s* synthetic lysine, an essential element in human nutrition and one in which many foods, notably those based on wheat are deficient. To millions of people, "polyethylene" is a strange word and yet, these same millions and additional millions are using polyethylene products in the form of the now familiar squeeze bottle, and various housewares. It is also being used in increasing quantities for wire and cable coating, as a film for packaging and laminating, and many other purposes. Polyethylene is one of the several members of the plastics family that are accelerating the growth of the chemical industry. Obviously, all this means much to duPont stockholders.

Another company, *Dow Chemical*, disclosed that its plastics and related products, continuing to exhibit healthy growth, accounted for 32% of total volume, while magnesium in which Dow has materially expanded with a new $40 million plant last May,

contributed 11% in sales. The hundreds of chemical products of the company were added to, and altogether accounted for 57% of the year's sales volume.

In contrast to "Darvyl" and polyethylene and numberless other new products about which the public knows very little, if anything, but which are expanding the earnings base of many corporations, are other new products that gain considerable publicity. Sometimes they become conversation pieces among people far removed from the subject. These topics are almost certain to include electronic developments such as radar, electronic controls and communication systems including magnetic tapes, and the electronic computer.

Some Spectacular Developments in Electronics

Development of electronics, given impetus by defense needs, has created a whole new industry, the potentials of which beggar the imagination. Total annual sales of the industry last year were approximately $8.4 billion, up from $1.6 billion in 1946, with every indication that with the growing importance of electronics in business and industry, it is estimated that electronic equipment sales, exclusive of that to the military, will approximate $5 billion a year for the next 10 years. In all likelihood, one of the greatest growth areas of electronics in the next decade will be in the electronic mechanization of clerical work in offices in relation to accounting, inventory and material controls, payrolls, purchasing and order services, and other specific jobs. Their increasing use in various departments of the U. S. Government, in addition to the military, and by commercial and industrial companies is rapidly changing the nature of the business of the leading companies in the business machine field. *Remington Rand's* "Univac," because of the publicity given it through its use by TV broadcasting stations televising election returns, is perhaps best known to the general public. The "Univac," however, is only one of Remington Rand's developments in electronics which has put the company in a strong position to expand its participation in the increasing use of these computers in the business field, while continuing its growth as a manufacturer of typewriters, decimal tabulators, and punch card equipment. To meet the requirements of "Univac" users, the company is producing these computers in two sizes that rent at an average of $25,000 monthly for the larger size and about $1,200 monthly rental for the junior "Univac" systems.

International Business Machines, also is well out in front in the electronic computer field. Among its several systems of various sizes, is its big "Norc," recently built for the Navy's Bureau of Ordnance. The "Norc" is capable of carrying out 15,000 complete arithmetic calculations a second, producing the answer for addition, subtraction or multiplication as fast as it can read the numbers—one million digits a second. This is one of IBM's newest developments. It numbers among its electronic computers two other machines with which it is now possible to use a new device enabling engineers and scientists to peer into these "giant brains" whose innermost thoughts will be projected in the form of graphs, geometrical figures, engineering symbols, or in words or numbers, just as they might appear on the screen of a home television receiver. Not content with these developments, IBM continues to carry on extensive research on high speed electronic components in its exploration of new possibilities of still higher speeds and simpler machines for the future.

Both *Underwood* and *Burroughs,* long prominent in the business machine field, are also developing in importance as manufacturers of electronic computers, the former making a rather belated start. The latter has extended its interests in electronics by aquiring, last July, an established plant for the manufacture of electronic tubes and components as a source of supply for its needs in connection with extensive research activities in the electronic field. *National Cash Register Co.,* also has brought out an electronic computer and auxiliary tape-handling equipment this year, a combination that puts the advantages of electronic computation within the reach of many businesses and institutions. The system is priced in the $125,000 to $150,000 range which is in contrast to larger equipment that leases for as much as $30,000 monthly.

Automatic Factories

Development and use of electronic data processing equipment in business offices is but one phase of the automation of industrial operations. The movement in this direction is already gaining momentum and unquestionably will move at a faster pace now that the transistor is in commercial production, making possible new devices in the field of electronics which is the basis of factory automation.

Companies now prominent in the production of electronic devices and components and that are spurring research and engineering work in this field include *Bendix Aviation, Clark Controller, Cutler Hammer, Sperry Corp., Square "D," Gamewell,* and *Minneapolis-Honeywell Regulator.* One of the more recent developments of the latter company is an electronic control system capable of automatically "masterminding" the operation of power generating stations as to regulate a plant's output and frequency in accordance with electrical demand changes. Another Minneapolis-Honeywell system automatically regulates temperatures and pressures in the operation of steel ingot soaking pits. The Gamewell Co., long prominent for its fire alarm signal system and automatic fire fighting equipment, is developing in importance as a producer of devices for automatic control of machine tools. Cutler-Hammer, for more than a half century a leading name in the motor control field, has been a pioneer in the development of improved and new devices to be applied to meet the requirements of machinery and equipment being developed under the impetus of factory automation. Some of the improved products Cutler-Hammer has introduced within the last year or so have been standardized electronic motor speed control, pressure control, heaters and controls for major appliances, and airborne power control.

What Minneapolis-Honeywell and Cutler-Hammer have accomplished in the way of new product development is, to a large extent, indicative of the progress along these lines by other companies in this age of electronics, automation and the rapid advancement of scientific and engineering knowledge in industry. It would be a difficult task, indeed, to enumerate the achievements of the other companies mentioned as being identified with developing industrial automation. While on this subject, it is apt to point out that many of the machine tool builders are well

positioned to participate in the continued growth of automation. In addition to the progress in this direction, the machine tool companies will be called upon to provide new machines for working the many new products of titanium and aluminum now being developed, as well as for equipment to process many other new products that are now on the drawing board. Some of these new machine tools may be radically new, while others will conform more or less to present designs but will incorporate many changes so as to meet the requirements of new technological processes, permitting faster and greater production.

Some Brand-New Products

We have already made some reference to the rapid developments in the drug and chemical fields in mentioning duPont's synthetic lysine and Dow's polyethylene. Developments in these two industries are taking place at kaleidoscopic speed. It appears that the possibilities through chemical research are infinite, not only in the development of new products but in finding new uses for older products. This accounts for the steady, consistent growth of the chemical industry and practically every one of its component companies. Occasionally, these various companies will develop a product as *Monsanto Chemical* did with its "All," the controlled-foaming detergent, or "Saran-Wrap" a Dow development, to mention just two products that are brought out in the retail consumer market and in that way come to the public's attention. The hundreds of other products of the industry never reach the retail counter in their original form, going, instead, into products on which practically every individual depends to maintain and improve his living conditions, and embrace food, clothing, shelter, transportation, communications and health.

To list many of the new products of the industry would entail putting down any number of technical names with descriptions that would soon bore the average reader. Of greater interest, perhaps, is that the improved performance of automobile engines within the last year is due, in many instances, to TCP. This is tricresyl phosphate, used principally as a plasticizer for modifying the properties of plastic but which is now used as a gasoline additive by a number of petroleum companies. To supply the demand, the Organic Chemicals Division of Monsanto Chemical found it necessary to increase production of this product by 80%. Skydrol, also a Monsanto product, is a fire-resistant synthetic hydraulic fluid has been adopted as standard equipment by a number of major domestic and international airlines.

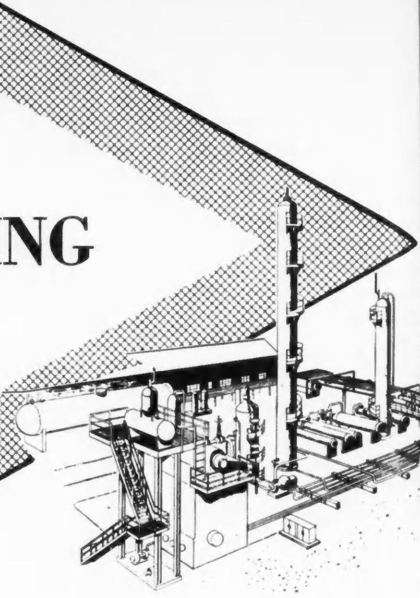
While the chemical manufacturers are wholly conscious of the seemingly unlimited growth potentials of the industry as a whole, it is almost universal opinion that the field for equally great and even greater growth is in plastics and synthetic resins. These products last year accounted for 14.5% of Monsanto's $340.6 million of net sales. A recent major development in connection with plastics is *Eastman Kodak's* division's new plant for the production of Tenite Polyethylene at the rate of 20 million pounds annually. A feature of this new product is that it will be offered in a wide variety of colors and color concentrates.

Minnesota Mining & (*Please turn to page* 406)

Important New Products of Various Companies

COMPANY	NEW PRODUCTS
Aluminum Co. of America	Colored aluminum with color impregnated by a special electrochemical process.
American Cyanamid Co.	"Cyana" Superset," an improved wrinkle-resistant finish for cotton fabric. Two new woodwaste binder resins for the fabrication of sawdust, wood chips, or other wood aggregates into woodwaste hardboards.
American Motors Corp.	A new line of Kelvinator electric ranges featuring disposable oven linings, and striking innovations in surface-unit cooking control.
American Viscose Corp.	"Filastic," a fibrous rubber product. Process equipment for restoring moisture to cellophane after printing. A new rayon tire yarn of super strength.
Bendix Aviation Corp.	Improved two-way radio equipment. A new line of liquefied petroleum gas fuel systems for trucks, tractors and taxicabs.
Burroughs Corp.	Electronic high speed printing and accounting machine. A new Sensimatic bank posting machine. A small, low-cost electronic computer.
Celanese Corp. of America	A new and expanded line of Celaperm colors in acetate filament yarns. "Arnel," a new synthetic fiber.
duPont de Nemours (E. I.) & Co.	"Darvyl," synthesized amino acid. Improved nylon and rayon yarns and "Mylar" polyester film are a few of duPont's new products.
Dow Chemical Co.	"Styron," extra high impact polystyrene plastic.
Electronics Corp. of America	An electronically-controlled device for explosion prevention in industry.
Eastman Kodak Co.	Polyethylene molding and extrusion plastic.
General Electric Co.	Among new products are noise-free light bulbs, heat-resistant insulation for electric motor wiring, an advanced model jet engine, new sealed-beam automobile headlamp, and multi-crystal ultrasonic generators.
Internat. Business Machines	A new and larger electronic computer, called the "Norc" in addition to the "650," the "740" and the "741."Another IBM new product is its Typewriter Card Punch, an important addition to its line of feeder-type equipment.
Koppers Co., Inc.	A continuous steel casting machine capable of transforming molten steel to prescribed solidified shape in a continuous line.
Libbey-Owens-Ford Glass Co.	A new glass-to-glass sealed insulating window unit in sizes to appeal to the large volume panel window market.
Minneapolis-Honeywell Reg.	System of self-correcting electronic controls for power plant output and frequency. Robot testing system to analyze characteristics of new processing equipment.
Minnesota Mining & Mfg. Co.	Glass filament reinforced plastic sheeting. A rubber-base adhesive for use on concrete, plywood or other types of sub-floors when setting ceramic tiles.
National Cash Register	An electronic computer and auxiliary tape-handling system and punch-tape recording devices.
Underwood Corp.	Has developed several electronic computers of various sizes.

COMMON STOCK FINANCING AHEAD?



By EDWIN A. BARNES

New offerings of corporation securities increased slightly during 1954—reflecting the effects of low interest rates and a continuing high level of new capital investments.

During the same period, many corporations reduced their short term borrowing, owing to sharp cuts in inventories and in volume of sales. As business activity rises in 1955, short term borrowing will move up commensurately.

During 1955 corporate financing for the long term should remain at a high level, although it is too early to say whether the total volume will be higher or lower. Capital investments for the first quarter of the year, according to Government estimates, will be down about 4 per cent from the level of 1954, indicating that the crest of the big expansion program generated by the Korean War is behind us. Many corporations are now in a position to finance new capital spending out of depreciation charges and retained earnings. But the continuing near-record level of capital spending will undoubtedly give rise to a substantial volume of new financing.

In 1955, as in 1954, corporations should find it advantageous, owing to low interest rates, to refinance high coupon bonds or retire callable issues of preferred stock, by floating new issues of low coupon bonds. It seems almost certain that the Government will continue to maintain money rates at low levels, to stimulate business activity.

But the number of opportunities for refinancing has been greatly reduced in recent years, during which low money rates have been in effect. Many companies have completed refinancing at lower interest rates. Even where money rates today are slightly lower than they were, costs of refinancing would in some cases be large enough to prevent any overall economies from being effected through issuance of new securities to retire older ones.

Favorable Outlook for Equity Financing

Nevertheless, refinancing will still be in the picture in a big way in 1955. Corporations that see a chance to reduce fixed charges and thus step up common stock earnings will do so wherever possible. Any further decline in money rates, of course, would stimulate more refinancing, but such a decline is now doubtful.

Corporations are likely to pay more attention to equity financing in 1955, particularly if the public's appetite for common stocks remains as keen as it has been during the latter months of 1954. If common stocks rise to a level where the average yield is 4 per cent or less, some boards of directors may decide that the moment has arrived for selling equity issues to retire even low interest bonds. The rise of stocks has placed them at levels where they more nearly reflect asset value; hence corporations that were reluctant to dilute the equity of their shares by selling additional stock at low prices should be more willing to employ equity financing either for the retirement of senior issues, or to finance new capital investments or mergers.

Ever since World War II, corporations have borrowed heavily to pay for $160 billions of new plants and equipment, and to obtain additional working capital. At the same time, corporations have been plowing back an unusually high proportion of earnings into new capital investments.

By the end of 1954, sales of new corporation securities since 1945 to pay for the big postwar investment program have totaled $65 billion, of which over $45 billion, or 69 per cent was in the form of bonds and notes. This reversed the practice in the seven years prior to the end of the war, for during this earlier period, debt securities outstanding were actually reduced, while amounts of common and preferred stocks outstanding increased. Much of the cash raised before the end of World War II was used to retire outstanding bond issues, partly because corporations approached the postwar period with greater misgivings than subsequent events proved to be warranted.

If financial history is any indication of what may occur next year, we may assume that if the stock market continues to rise common stock financing may come into its own on a scale not witnessed since 1929. In several instances recently, new com-

Remaining Senior Issues with High Interest & Dividend Rates

BONDS	Price	Yield to Maturity
American & Foreign Power—deb. 5/2030	88⅝	5.60
Atlas Plywood—deb. 5/68	103½	4.67
Del., Lack. & West. (N. Y. L. & W.)—1st & Ref.—5/73	98½	5.12
Lehigh Valley R.R.—con. 6/89	105	5.65
Maine Central R.R.—1st & Coll. 5⅛/78	104	4.80
New York Central R.R.—Ref. & Improv. 5/2013	86¼	5.80
PREFERRED STOCKS		
American Locomotive—7% cum. ($100 par)	103½	6.7%
American Radiator & S.S.—7% cum. ($100 par)	180	3.8
Byers (A. M.) 7% cum. partic. ($100 par)	104	6.7
Curtis Publishing—$7 cum. (no par)	105½	6.6
General Steel Castings—$6 cum. (no par)	103	5.7
International Nickel—7% cum. ($100 par)	136	5.1
N. Y., Chicago & St. Louis R.R.—6% cum. ($100 par)	109	5.5
United Stores—$6 cum. convert. (no par)	96	6.2

mon stock issues have not only been oversubscribed, but they have commanded small premiums. Corporations which may be in the market for money next year have probably taken note of this enthusiasm for equities, including stocks of the unseasoned, speculative type. Some corporations may decide to use this form of financing next year, not only to retire existing bonds or preferred stock issues, but to increase working capital and get ready for future corporate needs.

But this should not seriously curtail new bond financing next year. Already, there are signs that this will continue at a pace fully as active as that of 1954. Several companies have already requested stockholders to approve new bond issues to finance investment programs, the financing to take place at a time to be set by the directors.

The Government is hinting strongly that it will not change its current cheap money policy. It still recalls the impact on business of its brief abortive hard money policy in the Spring of 1953. That policy was quickly reversed later in 1953, when the recession got under way. The hard money program is not likely to be adopted again in the next two years at least, with a Presidential election coming up in 1956, and with full employment policies in the saddle.

Increase in Offerings

Here's how offerings of corporate securities in the first nine months of 1954 shaped up in comparison with new offerings in the same period of 1953:

- Total volume of such financing in the 1954 period was $7 billion, compared with $6.4 billion in the same period of 1953. The larger volume reflected a substantial volume of refinancing, in response to lower interest rates.

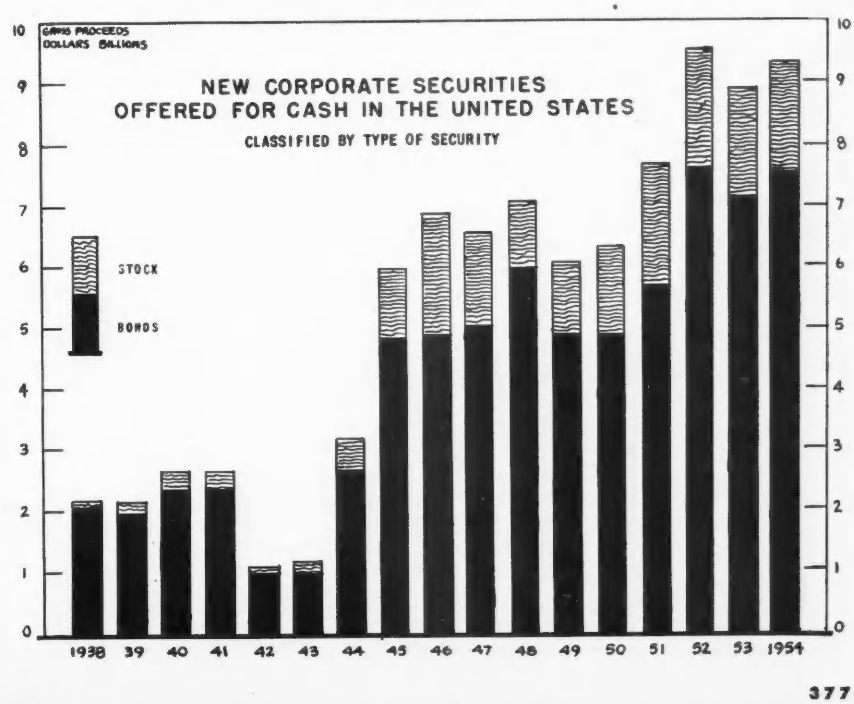
- Of total new issues during the period January through September 1954, issues for refinancing purposes accounted for $1.2 billion, as against only $200 million for this purpose in the same period of 1953. The amount of issues for new money purposes, was somewhat larger than in the same period of 1953, reflecting continued large scale expenditures for plants and equipment. Approximately $4.3 billion was obtained to be used for the purchase of new plants and equipment. The remaining $1.1 billion of new money was raised in the first nine months of 1954 to provide additional working capital. This was less than in 1953, owing to the reduced demand for credit from sales financing companies.

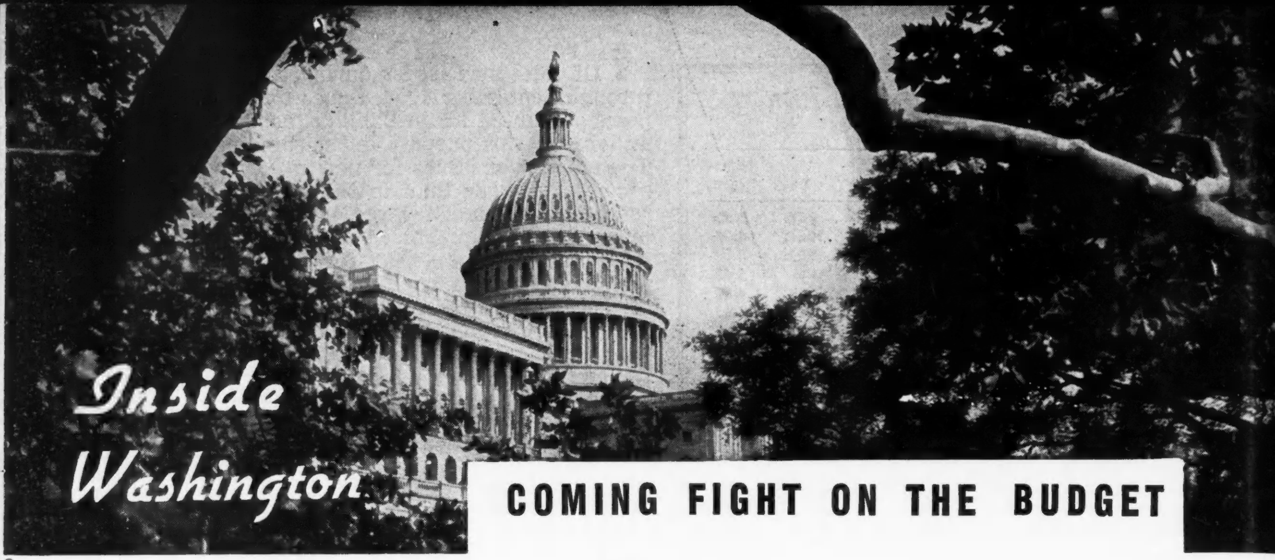
- Of total securities issued during the first nine months of 1954, close to $1.5 billion were equity issues, including about $800 million of common stock and $700 million of preferred stock. This was about the same amount as in the corresponding period of 1953. Issues of bonds and notes aggregated $5.5 billion, which was $600 million more than in the 1953 period, due to the increased volume of refunding transactions.

- During the first nine months of 1954, electric, gas and water companies comprised the most important group of issuers of securities. Their offerings totaled $2.9 billion, $700 million more than in 1953, and 42 per cent of all corporate offerings. More than half of the total refinancing was accounted for by this group.

- The offerings of the electric, gas and water companies also accounted for over one-half of all securities sold for the purchase of new plants and equipment.

- Issues of manufacturing companies have been running somewhat lower this year than in 1953, but the trend in recent months has been towards much greater activity than in the early months of the year. Thus in the first quarter, manufacturing company offerings totaled only $299 million. The amount increased to $606 million in the second quarter, and to $811 (*Please turn to page* 406)





COMING FIGHT ON THE BUDGET

By "VERITAS"

PROMOTIONAL material of the prohibition lobby (Methodist Board for Temperance and Morals) is leaning toward curtailment of alcoholic beverage use rather than outright ban by law, but the licensed liquor trades are wary. The "dry" group is flooding congress with data on drinking, by states, plus a comparison of retail expenditures for essentials which are competitive (example: milk and dairy products, $8.9 billions; liquor, $9.8). The alcoholic beverage trades concede the temperance appeal is there, but the cautious Distilled Spirits Institute and the Wine Institute both moved into larger Washington headquarters this month "to be ready."

WASHINGTON SEES:

The democratic congressional leadership is splitting on the question whether there would be more political gain in enacting an affirmative program in the next two years than in undoing what the Eisenhower Administration accomplished in the 1952-1954 session. Likelihood is that there will be some entries on both lists—some forward movements, backtracking by way of repealers.

Concern exists on the higher levels because a family fight over calendar priorities could be fatal to a party with the hair-breadth vote margin the democrats take into the January session. But some of their number consider they are bound to attempt a new farm program built about a rigid support principle; some say there must be another stab at revision of the Taft-Hartley Act; many say the housing bill makes an unrealistic advance on the existing shortage and favor provision for many more units (which would be supporting Ike's original idea); the Reciprocal Trade Agreement Act will come on for reversal of last year's republican-dominated one-year extender—and with President Eisenhower joining in, this is one that can be put down as a certainty.

The call for reconsideration won't come only from the democratic side of the aisle. Senator John Bricker is poised with his treaty review amendment. It consumed weeks of this year's session, may do the same in the new conclave. Failing by only one vote last time, it must be included among the "probables" now. The mechanics of enacting a bill take time, often much time; to the extent that time is given to undoing, the outlook for new product is lessened.

PROSPERITY is reflected in studies just completed by the Mortgage council of the national real estate boards. Shown to exist almost universally throughout the country is a borrower's market: adequate funds to loan for business and industrial expansion, attractive interest rates. That's another reason, says organized labor, why this is not the time for businessmen to curtail plant and other capital expansions. Corporations with good national credit are welcomed in nine of the 10 geographical areas. While business loans are being offered invitingly throughout the countries, moneyseekers in 50,000-up cities do best.

SENATOR BYRD will give the White House and the Treasury king-size headaches in the next few months. Moving to the chairmanship of the Finance Committee, he'll be the man Ike and Secretary Humphrey will have to reckon with and even before the new budget begins to take shape, the Virginia senator is publicly off the reservation. He is almost alone among the higher-rated federal fiscal authorities in claiming the budget can be balanced, temporary authority to raise the $75 billion national debt (by $6 billion) can be revoked this year, and that deficit financing can be ended. The head-on clash is only weeks off. Treasury isn't happy.

REEXAMINATION of the nation's military manpower procurement program must be undertaken early in the upcoming session. Decision has to be formalized into law by June 30, when the current extension of Selective Service Act expires. Universal Military Training is in the fore again but there's very good reason to forecast its defeat despite the good case that will be made for a strong reserve striking power. It now looks like another draft act extension on terms about the same as at present.

As We Go To Press

Democrats are moving toward control of congress with the pledge of friendly co-existence with the White House already effectively erased by quarrelsome statements emanating from high party sources and with no effort made to conceal the fact that much of their legislative effort will be directed up dead-end streets. On the latter point is the statement of Senator Allen J. Ellender, incoming chairman of the committee on agriculture that he will make an attempt to restore rigid price supports knowing the effort will fail. Ellender even questions the wisdom of changing the rules so early after flexible supports were ordered, frankly says at least one year's trial should be given. But he has no doubt what would happen if both houses go back to the system which was in effect when Ike went to the White House. Such a bill would be vetoed -- successfully vetoed, Ellender admits.

The democrats are divided on whether to support Ellender. From the standpoint of political party gain, many of them believe the farmers must be "conditioned" to return of rigid parity by at least one year of the Benson Plan. They're that confident that it will fail. In actual practice the new idea works out the same as the old one; farm commodities, except wheat, will be supported at close to 90 per cent of parity and that's the maximum the demmies hold out as vote bait. It's going to require more than a caucus declaration to make any change: there is only a relative handful of changes in the personalities on Capitol Hill and no assurance that all the replacements will go along with the democrats. For example there's one more senate vote for the Benson Plan than was available last year: Rep. Martin has defeated Senator Gillette in Iowa.

Organized labor will oppose President Eisenhower's plan for a $5 billion highway construction program in 1955. That goes double if Ike's idea of equal cost-sharing by the states is part of the plan. The unions are making a drive to lift the tax burden at the state and local level. Idea, of course, is heavier tax on large incomes. The unioneers note a tendency on the part of the states to pile taxes on consumers when new revenues are needed. This, they assert, lets the big income group off the hook; they're reached more uniformly by the federal tax man, they find.

Actually, the figure Ike now is discussing is lower than the one he fixed in his 1954 Economic Report to Congress. Then he said current outlays by cities, states and the Federal Government for needed highways should be increased from a $5 billion level to $8 billion a year. Union economists point out that state and local taxes are at an all-time high of approximately $22 billion yearly; state and local debt has increased by $12 since 1946; gasoline taxes now average about five cents a gallon throughout the United States, and the increasing spread of toll highways has been traced to opposition to jacking up the gas tax in some states.

If states could not finance their share of an expanded road building program from gasoline taxes, they would be forced to think up new levies or divert funds now being used for other purposes. And, says AFL in a comment typical of labor thought: "A disproportionate share of state and local tax revenues is now being paid by taxpayers at income levels below $5000 who might object to paying additional taxes for highways at the possible expense of needed schools, health and welfare needs, and other necessary services. The states and cities may not have to face the problem after all: there is no certainty that congress in the present state of the national budget, would appropriate the federal one-half.

A balanced budget is not in sight for at least one more fiscal year. This

outlook is made on the authority of Secretary of Treasury George M. Humphrey who spoke the forecast in a matter-of-fact commment to a press conference. That probably means that the four-year Eisenhower term will not see achievement of the balanced budget which was generally taken to have been a promise by Ike during his campaign. Actually what the republicans promised -- and have accomplished -- was curtailing of expenditures, checking the normal rise in the national debt, and a "start toward balance of the budget." Secretary Humphrey undoubtedly was stating the simple answer to income vs. outgo "sums." But he also was serving notice on the new congress that the imbalance can be aggravated to the exent that forthcoming budget and tax messages from the White House are ignored.

Another Cabinet member, Labor Secretary James P. Mitchell, bombshelled a CIO convention with welcome to them, but unexpected, withdrawal of Administration tacit indorsement of state right-to-work statutes. These are state laws which say it is a person's right to remain on the job in a unionized business without being forced to join the union. Naturally the locals contend such a worker gets a free ride when union negotiates wage and working benefits. The Taft-Hartley Law makes contracts forcing union membership unlawful in any state which outlaws them. Seventeen states have done so; other legislatures, under the spur of management in many instances, take up the subject in sessions which begin next month.

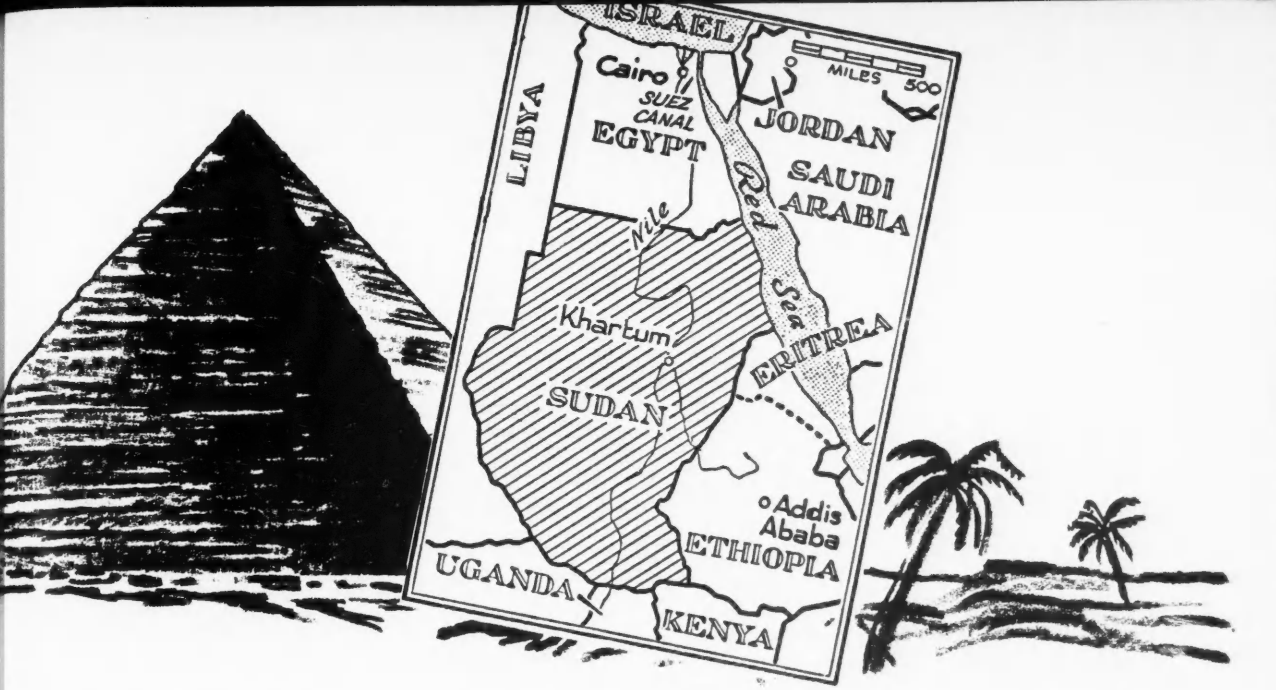
The echo of applause had not faded from the convention hall when the delegates began appraising what had been said, weighing its usefulness to them. The net result, they concluded, was to shift responsibility to the states -- where, already, the disposition to make and enforce right-to-work statutes was quite clear. None of the state laws is responsive to a suggestion by Washington but all came about as a result of a permissive congress wrote into the labor-management act.

The relief must come by way of a congressional repealer of that section, something possible of accomplishment in one stroke as against time-consuming, costly, and perhaps ill-fated campaigns in 48 state houses. What the Mitchell declaration amounted to was a nod of indorsement but not an offer to share the burden being carried by labor's lobbyists. Result will be no change in strategy; the fight still will be waged at the state level.

President Eisenhower soon will have before him the first complete study of this country's foreign economic policy made in recent years. It will cover organization, coordination, and development of the programs and will count heavily in Administration decisions to be made in the future. Joseph M. Dodge, former Director of the Budget, accepted Ike's call to return to government to head up the work and he's been on the job, directing a staff of experts, for the past two months (although publicity about his job came only in mid-December). The Dodge report will stress organization and will not make policy recommendations; the latter field will be covered by the Randall Commission which will draw heavily on basic information polished up by Dodge.

The White House leanings toward encouragement to international trade via tariff concessions is well knnown. How far President Eisenhower is willing to go will be set out when the State of the Union message is unfolded about the middle of next month. The White House last January asked congress to extend the reciprocal trade agreements act three years and to grant Ike authority to reduce tariffs by 5 per cent, for three years. The lawmakers fixed a one-year term. The President will ask for three years more, but the democrats now plan to go farther: they will ask that the trade agreement system be placed on a permanent basis, without term.

The Committee for Economic Development also has been working on what may become one of the major works of the next congress: tariff adjustment. Gradual, and selective, tariff reduction is its proposal. CED will put forth the idea of a five-year trade agreement act extension; congress might go along.



EGYPT and the MIDDLE EAST

By V. L. HOROTH

There are indications that the Middle East, a vast region lying at the crossroads of Europe, Asia and Africa, may come in for an increased share of attention on the part of the communists. The Middle East holds the key to adequate oil resources in case of another war, and as we pointed out along these lines before, is going through a political, economic, and social transformation. To the communists, stymied in Europe and the Far East, it looks, no doubt, like a soft spot along the border of the Free World. One may assume that communist moves will be accompanied by appeals to the anti-western attitude of the Arabs and by tempting offers of badly needed capital goods and of expanded trade relations.

Fortunately there are also signs that the crisis in the relations of the Western Democracies with the countries of the Middle East has passed and that these relations are now on the mend. Most of the Arab countries have assumed in recent months a more constructive and realistic attitude toward the West and the anti-Western fanaticism of such groups as the Moslem Brothers, embarrasses many of them. The West, too, seems to be more understanding. On its part, the United States has finally begun to channel more aid in that direction and economic deterioriation in such countries as Iran and Jordan appears to have been halted. The enlightened attitude of Great Britain shown in her dealings with Egypt has also been helpful in tempering Arab xenophobia and releasing energy for constructive work.

Perhaps the most remarkable change in respect to the recent past has taken place in Egypt. Yet for the casual reader, not familiar with the Egyptian scene, the reports from Cairo during 1954 suggested comic opera putches. First, in February there was an overthrow of the regime of General Naguib, an amiable, good-natured man who embodied the spirit of Egyptian revolution since the ouster of King Farouk in the summer of 1952. After a few confused days, General Naguib was kicked upstairs as the first President of the Egyptian Republic, only to be deposed in August. The charge was that he plotted against the Premier, Gamal Abder Nasser, with the Moslem Brotherhood, an ultra-nationalist organization dissatisfied with the treaties concluded with Great Britain.

Yet there is nothing "comic opera" about present-day Egypt, as the grim reports of fire squad executions confirm. The country is deadly serious about modernizing herself and raising the standard of living of her population. Hon. Jefferson Caffrey, who is retiring as U. S. Ambassador to Cairo, describes the ten-man military junta now ruling the country as "honest, sincere, progressive, and intelligent", and points out significantly:

> "Perhaps the main strength is to be found in the fact that the mass of population believes that this regime really wants to do something for them. . . . Another fact is that, while the present Government has the same set of economic problems that have existed for centuries, a new spirit gives the Government a will and a vigor to overcome these problems. One can sense this new spirit among the Egyptian people today."

In so many words, Egypt is going through a transformation not dissimilar to that which Turkey went through some thirty years ago under Mustafa Kemal. If this non-communist, revolutionary regime of Colonel Nasser succeeds in really modernizing the

country, the repercussions on the rest of the Arab World will be tremendous. Moreover, the danger of communist penetration of the Middle East will be definitely averted. This is why the regime of Colonel Nasser deserves the sympathy and help of the West.

Overpopulation and Land Problem

Colonel Nasser's job is, however, much more difficult than that of Mustafa Kemal's was. Turkey had plenty of land and substantial natural resources. Egypt's primary resource is the silt-laden water of the Nile. Although the country is about as large as Texas and New Mexico combined, the cultivable area, to continue the comparison, is the equivalent of a narrow, two-to three mile wide strip along the Rio Grande. Since the beginning of this century, when the British finished the building of the huge Aswan Dam, the cultivable area has been extended by 30 per cent to 7 million acres. But in the same 50-year period the population of Egypt has risen from 9 million to 22 million.

There is no need to point out that population pressure has been getting worse and that living standards, low to begin with, have been declining. At the time of the ouster of King Farouk in the summer of 1952, nearly 2 million peasants were living below the subsistence level, each cultivating a plot less than one acre, on which, if lucky they could raise perhaps two to three crops a year. One of the first acts of the new regime, then headed by General Naguib was to pass an agricultural reform act. More than half a million acres that up to that time made up large semi-feudal estates, were divided into 2 to 6 acre farms. Ultimately about 100,000 peasants are to be resettled. However, the plain fact is that there is not enough land to distribute among all the landless peasantry. As a matter of fact, considering that the rural population has been increasing at the rate of about 300,000 a year, many experts hold that the present ratio of population to land cannot be improved at all, except perhaps by resettlement. Iraq, where plenty of irrigable land is still available, has been mentioned as a possible outlet for surplus Egyptian peasantry.

Industrialization and More Land

Meanwhile, to solve Egypt's population problem, the young revolutionary regime of Premier Nasser has been planning increased industrialization and the building of irrigation projects that might—in 10 to 15 years—materially increase the land under cultivation.

While Egypt has some important food processing and textile industries, industrialization in the future is likely to be handicapped by the relative paucity of raw materials now limited to phosphate rock, manganese, iron ore, salt and cotton. Industrial motive power is another bottleneck. It may be solved, however, by more intensive development of petroleum resources—the fields discovered on the Sinai Peninsula being particularly promising—and by hydroelectric installations, now under construction near the Aswan Dam.

Reclamation projects and the water storage dams under construction will add to the cultivable area of the country. The project now under consideration and dearest to Egyptian hearts is the construction of a "High Dam" a few miles upstream from the present Aswan Dam. It would increase the cultivable area by more than 30 per cent—some 2 million acres —and when complete would mitigate the population pressure problem for a decade or two.

The problem now is where to get the money. The "High Dam" at Aswan and all the minor development and industrialization projects are expected to require an investment of at least $100 million a year for the next ten years. About half the money —$50 million a year—to finance the imports of necessary machinery and equipment will have to come from abroad. A part of the financing could come from released blocked sterling which Egypt has in London, the remainder of wartime accumulated surpluses. The World Bank is also likely to help and there will be a U.S. economic aid available. Some $43 million, held in escrow pending the Suez Canal negotiations, was released recently.

Egypt's Modernization Likely to Point the Way

Thus Egypt is likely to become the first underdeveloped country to undergo systematic modernization. Chief credit for carrying out a policy of prophylaxis, i.e., of shoring up a country before the communists start real trouble, must go to the energetic, hard-thinking Council of the Revolution, headed by Colonel Nasser. Realizing that Egypt must have foreign aid if she is to be modernized, the present regime cleared the decks by coming to reasonable terms with the British regarding the Suez Canal and the future of the Anglo-Egyptian Sudan. The five-year old dispute with foreign oil companies was settled to permit the resumption of exploration for oil and the expansion of production. Finally, liberal laws were passed in 1953 and further relaxed a few weeks ago to encourage the inflow of foreign capital.

But that is not all. The revolutionary regime also checked internal inflation and clamped down on imports of non-essentials so as to reduce the drain on gold and foreign exchange reserves. In addition, large wheat crops in 1953 and again in 1954 made it possible to cut food imports drastically. Since the bulk of imported wheat came from the United States, our position as the chief supplier of Egyptian imports has suffered, and Great Britain and Germany have advanced to first and second place respectively.

Anglo-Egyptian Condominium in Sudan Dissolved

The dissolution of the Anglo-Egyptian joint sovereignty-condominium—over the Sudan in January 1954 has also helped to reduce friction between the Arab world and the Western powers. It was agreed to hold elections sometime before January 1957 for the Sudanese themselves to decide their future. They have three choices: complete independence, dominion status within the British Commonwealth, or some kind of union with Egypt.

The choice will be difficult, for this huge country —about as large as the United States east of the Mississippi but with less than 10 million people—is inhabited by people of different races, religions, and cultures. The North is largely Mohammedan in religion, Arab in speech, and Nubian in race; it is culturally far more advanced than the South, which is Christian in religion and divided into many small tribal areas. The South is distrustful of the Arab-speaking, Mohammedan northerners, and as the British administrators and technicians are streaming

out of the country, the north-south rift is widening. Whether the country will actually split during the next two years is still difficult to say, but the economic growth of the Sudan, which has been remarkable, is bound to slow down because of her uncertain future.

The Countries of the Fertile Crescent

There has been some agitation in recent months for the unification of the countries of the Fertile Crescent—Iraq, Syria, Lebanon, and Jordan—under the Hashemite Dynasty, now ruling in Iraq and Jordan. But nothing much is likely to come of this idea, which is really a concealed scheme for the redistribution of Iraq's oil riches among her poorer Arab neighbors. Not only the Iraqis are opposed, but also the much wealthier Saudi Arabians, who feel that the pressure on them to share their wealth would be intensified. Meanwhile the new king, Saud, more progressive than his father, is attempting to reorganize the Saudi Arabian government on a national rather than a family basis. Plans are being made for the restoration of the old "Pilgrim Railways", running from Damascus to Mecca and destroyed by T. E. Lawrence during the First World War days.

In Iraq, ample funds are now available from oil royalties for the large irrigation and water conservation schemes that are to triple farm income within the next few years. But with the exception of Baghdad, which is in the midst of a building boom, the peasantry has not benefitted from oil royalties at all. In contrast with Egypt's energetic, modern-minded men at the helm. Iraq is still ruled by a clique of semi-feudal landlords, distrustful of progress, education, and land reform. There is an active communist underground in Iraq; the Soviets are also masterminding the fight for independence on the part of the Kurds, a large nonn-Arab minority whom the Baghdad regime has been treating like stepchildren.

The year 1954 was also eventful for Syria, a small, rather fertile country with a hard working population. Last February, a dictator, Colonel Shishekli, who had ruled the country since 1948, was overthrown, and a more or less constitutional government was established. Political life in Syria—and that goes also for her smaller sister countries, Lebanon and Jordan—is rather turbulent. Broadly speaking, the principal issue is the extent of cooperation with the West. The more progressive parties are for cooperation, which, among other things, means the acceptance of the status quo with Israel. Against cooperation are the nationalists and the extreme right-wing parties which periodically stir up the Arab-Israel dispute in order to divert people from demanding social and economic reforms. They are the same people who fear that lifting of the blockade against Israel would be "a virtual economic suicide on the part of the Arabs". There is a quotation from a new Egyptian publication called Economic and Political Review, which is responsible also for the following drivel:

> "The Middle East is one of the few remaining markets in the world, and it is a convenient stepping-off place for an economic drive on Africa. Israel, with her immense American support, could easily and rapidly dominate an economically undeveloped Middle East. Having achieved a military and political victory over Arabs she would be free to secure an economic one. And the Arabs, struggling on their road to industrialization and economic rebirth, could hardly defend themselves."

Israel Progresses But Has Big Problems

While Israel is unquestionably an oasis of progress, enterprise, and hard work in the Middle East, any possibility of her dominating economically the Arab world is pure imagination. While industrial and agricultural production are being pushed hard, there is no chance for Israel becoming self-supporting before the end of this decade. With imports nearly five times as large as exports, the gap in Israel international payments shows only a slow contraction, and

(*Please turn to page* 416)

The Middle East: Economic Indicators

	Population (000,000) 1937	Population (000,000) 1953	Area (000 Sq. Miles) Total	Area (000 Sq. Miles) Cultiv.	Population Density Per Sq. Mi.	1949 Est. Per Capita Income (Dollars)	Petroleum Product (000 bbl. Daily)	Petroleum Reserves (Million bbl.)
PREDOM. ARAB:								
Egypt	16.0	21.9	386	10	1,410	100	46	140
Iraq	3.4	4.9	171	9	450	85	576	14,000
Syria	2.4	3.5	71	14	......	100	......	......
Lebanon	.9	1.4	4	1	810	125	......	......
Jordan	1.0	1.3	35	2	160	85	......	......
Saudi-Arabia	5.5	6.0	597	(a)	......	40	844	28,000
Yemen	4.2	4.5	75	......	......	40	......	......
Libya	.9	1.0	679	2	......	......	......	......
Kuwait-Babrein	.2	.3	17	......	......	......	973	23,800
Muscati and Oman	.6	.7	87	......	......	......	......	......
Total	35.1	45.5	2,122	......	......	......	......	......
OTHERS:								
Turkey	16.8	22.5	296	59	266	125	.5	80
Iran	16.2	20.3	632	65	232	85	28	15,000
Sudan	7.0	9.0	917	3	......	......	......	......
Israel	.4	1.5	8	2	344	389	......	......
Grand Total	75.5	98.6	3,975	......	......	......	2,468	81,020

Source: The Middle East, Royal Inst. of Int. Affairs, United Nations Publications and others.

Continuation of Our Record-Breaking Feature:

Where Do Your Stocks Stand Today?

Position-Outlook-Ratings for 200 of the Most Active Stocks on the New York Stock Exchange in This Year's Market—With Specific Recommendations on the Individual Issues.

PART III By WARD GATES

We have seen in the Part I analysis of the stock market by A. T. Miller that the market now stands at historically high levels. In the process, the market position of practically every listed stock has changed substantially, in many cases radically. After such a long climb it is only natural that investors should re-examine their holdings with a view toward determining whether they would be justified in making changes in their portfolio holdings. Many issues, obviously, have gone far towards discounting their prospects, present and well into the future; others undoubtedly have by no means exhausted their potentials; and, still others which, for fundamental reasons, have failed to participate in the long, upward march of stocks, probably will continue to be a cause of disappointment.

In any case, whether a stock falls into one of these categories or another, it would be a good plan, especially after a 16-month advance in the market, to re-examine holdings in order to determine whether they are still arranged to the best advantage. The wisdom of such an overhauling is further indicated as we actively enter the period of preparation for income tax returns. As the remaining days of the year can afford a final opportunity to make necessary adjustments in portfolio holdings in order to obtain the greatest benefits from permissible tax savings, it is apparent that it is even more incumbent on the careful investor to make a fresh appraisal of his security position.

In order to more effectively assist our subscribers in an analysis of their holdings, with a view to possible action on specific stocks, we have devoted this entire feature to comments and ratings on each of 200 stocks, listed on the New York Stock Exchange, which have been the most active this year. These stocks have been grouped according to their volume of transactions for the first eleven months of 1954. Half were presented in the table accompanying this article in Part II, and the remaining 100 are covered in this issue. We believe these tables will be of the greatest value to subscribers as they probably include at least several stocks included in the average investment portfolio and, therefore, should be of general investment interest.

While the comments on the individual stocks are self-explanatory, a special explanation of the "ratings" is demanded. This will be found in the accompanying box.

We believe the comments and ratings will be of material assistance to investors who recognize the constant need for strengthening their holdings, particularly at this juncture of the market. Furthermore, it may offer useful suggestions to investors who are undecided as to whether to accept profits – or losses – as the case may be.

We particularly want to call the attention of subscribers to the additional explanation of the "ratings" and how they can be used to greater advantage. This appears at the end of the article. With investors pursuing varying investment objectives, it is best to interpret the "ratings" in the light of individual requirements. Used in this way, the "ratings" can be more valuable than if followed without reference to these personal needs.

In the following, we present a brief statement as to the position, outlook and "rating" for each of the 100 stocks included in the accompanying table arranged in order of market activity, the rest having appeared in previous issues. Essential data on earnings dividends yield and market price is also presented.

Explanation of Ratings

A—Investment (tested quality)
B—Semi-investment ("businessman's risk" but of improving quality)
C—Speculative (variable earnings)
D—Highly Speculative (prospects uncertain)

1—Meets requirements for long-range appreciation objectives: present holdings can be maintained: new purchases, on sliding scale warranted.

2—Also suitable for long-term retention but new purchases temporarily may be deferred, owing to extensive previous rise in many instances, or, in other cases, to uncertainty about near-term earnings outlook, though fundamental position and outlook for company remains satisfactory.

3—Partial acceptance of profits, to mark down original cost advisable, particularly for individuals mainly interested in short-or-intermediate-term appreciation.

4—Indefinite outlook and possible slowness in improvement of company's prospects would indicate suitability of replacement by other issues. This can be done through selections from A^1; B^1; or C^1.

Ches. & Ohio: Road should benefit from increased steel production and higher coal traffic. Turned in a comparatively good record for 1954, though off from 1953. Somewhat improved dividend coverage in sight for next year.

Rating—B²

Liggett & Myers Tobacco: Introduction of new L. M. filter type, in both regular and "king-sized" type has improved competitive position. Though operating margins are, to some extent, controlled by expenses incident to advertising new and standard brands, earnings are holding up satisfactorily and maintenance of dividends well within capacity of company.

Rating—B²

Phelps Dodge: Although earnings are down slightly from 1953, due to lower shipments, outlook for next year is improved, due especially to firmer price for copper. Company should benefit as one of the lowest-cost producers. Dividend coverage satisfactory.

Rating—B²

Commercial Solvents: Poor conditions in the market for penicillin have been an unfavorable factor affecting earnings. It is reported that sales in the final quarter have improved substantially so that an upturn in earnings is in sight, after long dearth of substantial profits. On the basis of the new improvement, dividend can probably be maintained.

Rating—C²

Dresser Industries: Vigorous management in recent years, has greatly widened the scope of new products in equipment designed for use in oil, natural gas and petrochemical industries. Although unfilled orders have declined and earnings next year may be off somewhat longer-range outlook for company is promising. Increased dividend well within capacity of company.

Rating—C²

Amer. Smelt & Ref.: Refining activities benefiting from upturn in metals and firmer prices for lead and zinc give supporting effect to maintenance of profit margins. Newer mining interests tend to broaden base of company's earnings. Dividend coverage is satisfactory.

Rating—B²

Commonwealth Edison: Divestment from Northern Illinois Gas Co. and long-term distribution of latter's shares to shareholders of Commonwealth are features of this situation. Growth of electric revenues in the Chicago district seems assured and earnings will be favorably affected by the new higher electric and gas rates. Dividend conservative.

Rating—A²

1954 Record of Most Active Stocks: 2nd Section

(Listed in order of volume of transactions: continued from last issue)

	1954 Estimated Net Per Share	1954 Indicated Div. Per Share	Price Range 1954	Recent Price	Div. Yield
Chesapeake & Ohio Rwy.	$ 4.80	$ 3.00	42- 33	42	7.1%
Liggett & Myers Tobacco	5.35	5.00	67- 56	61	8.1
Phelps Dodge	3.90	3.00	50- 30	50	6.0
Commercial Solvents	1.00	1.00	21- 15	21	4.7
Dresser Industries	5.35	1.80	36- 18	36	5.0
Amer. Smelt. & Refining	3.50	2.00	43- 27	43	4.6
Commonwealth Edison	2.70	1.80[3]	46- 36	46	3.9
Burroughs Corp.	1.40	1.10	25- 15	24	4.5
National Gypsum	4.20	1.60[4]	49- 20	46	3.4
Eastman Kodak	3.60	2.05	72- 46	69	2.9
United Gas Corp.	2.25	1.37½	35- 27	32	4.2
Standard Oil of Indiana (New)	4.00	1.25[5]	48- 34	48	2.6
Texas Co.	7.25	3.75	88- 57	87	4.3
Deere & Co.	3.00	1.50	35- 24	32	4.6
Pfizer (Chas.) & Co.	2.90	1.35	38- 30	36	3.7
National Container	1.00	.60	14- 10	14	4.3
Du Pont	6.85	5.50	170-104	164	3.3
Certain-teed Products	2.50	1.12½	25- 12	24	4.6
Phillips Petroleum	5.25	2.60	69- 53	68	3.8
Colorado Fuel & Iron	2.46[1]	... [6]	22- 15	22	....
International Nickel	4.50	2.90	59- 34	59	4.9
Texas Pacific Coal & Oil	4.25	1.65	49- 35	45	3.6
Virginia-Carolina Chem.	4.25[1]		48- 20	43	....
Howe Sound	.60	.40	18- 11	18	2.2
Marine Midland Corp.	1.30	.72½	17- 12	16	4.5
C. I. T. Financial	3.65	2.25	49- 28	47	4.7
Rayonier	6.00	1.75	62- 25	56	3.1
Case, J. I.	n.a.	.50[7]	18- 13	16	....
National Lead	3.00	2.10	60- 38	60	3.5
American Locomotive	1.25	1.00	18- 12	18	5.5
Douglas Aircraft	14.00	6.50	101- 59	98	6.6
Republic Pictures	.15[8]	.....	5- 3	5	....
Carrier Corp.	4.50	2.00	62- 46	57	3.5
Schering Corp.	.90	.50	22- 11	21	2.3
Missouri-Kansas-Texas	(d) .25	....	10- 4	8	....
Sperry Corp.	5.50	1.75	44- 34	44	4.0
Lorillard (P.)	2.40	1.60	26- 21	25	6.4
York Corp	2.50	1.05	27- 21	24	4.3
Commercial Credit	5.00	2.60	53- 34	50	5.2
Foster Wheeler	7.00	.70	36- 19	36	1.9
General Public Service	n.a.	.05	4- 3	4	1.2
Canada Dry	1.50	.70	14- 12	13	5.3
Safeway Stores	4.00	2.40	47- 38	45	5.3
Mengel Co.	1.75	1.00	30- 11	24	4.1
American Can	2.75	1.55	49- 35	44	3.5
American Motors	n.a.	.12½[7]	14- 9	12	
Air Reduction	1.90	1.40	3 - 22	31	4.5
Crane Co	2.50	2.00	38- 28	37	5.4
Servel	n.a.		9- 6	7	....
Bliss (E.W.)	4.00	1.45	30- 14	29	5.0

(d)—[illegible]
n.a.—Not available.
1—Annual year ended 6/30/54.
2—Before funds.
3—Plus 1 share Nor. Ill. Gas for each Comm. Edison.
4—Plus stock.
5—Plus ½ share S.O.N.J. for each 60 held.
6—Paid 7½% stock.
7—No further div. action.
8—Paid 5% stock.

(Continued on page 307)

Burroughs Corp.: Development of new electronic computing and billing machines broaden company's earnings base. This will tend to bring company into improved competitive position as compared with recent years. Earnings still moderate, incidental to expenses in advancing new developments. Dividend can be maintained.

Rating–B^2

National Gypsum: Generally favorable background consists of sustained construction activities, and highly efficient operations, lapse of EPT, and benefits from expansion and development program have placed this increasingly diversified company in a strong strategic position in the gypsum industry. Higher cash or increased stock dividend can be paid.

Rating–B^2

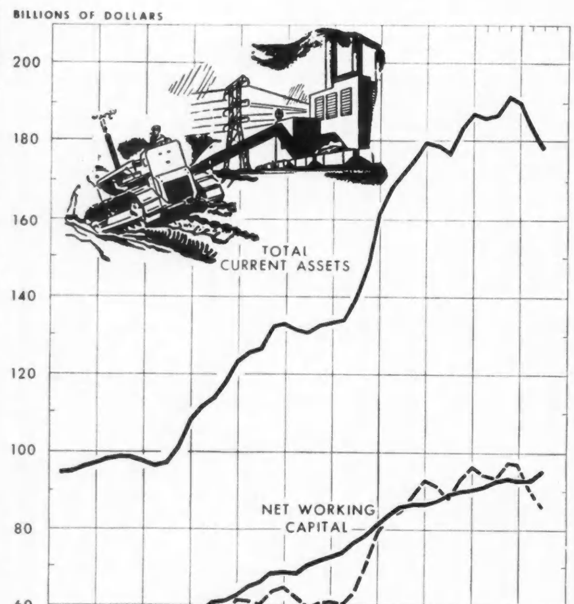
Eastman Kodak: This dominant company in the entire field of photography and photographic equipment is becoming a steadily more important factor in chemical industry and its ramifications are extending into atomic energy. 1954 earnings aided by lapse of EPT. Long-term growth the essential factor in estimating future possibilities for stock.

Rating–A^2

United Gas Corp.: This company, with its extensive natural gas interests, in addition to some oil and sulphur, operates in the growing Southwest and also in the South. Rapid increase in facilities has broadened base. Further growth anticipated for this well-managed and highly integrated concern. Dividend conservative.

Rating–B^1

CURRENT ASSETS AND LIABILITIES OF CORPORATIONS



Standard Oil (Indiana): Steady addition to crude reserves have greatly strengthened company's position in recent years. New facilities, both in crude development and refining operations, are bringing results, as indicated by substantial earnings. Stock recently split 2-for-1 and higher cash dividend on split stock can be paid.

Rating–B^2

Texas Co.: As one of the world's great crude producers, with immense foreign, as well as domestic interests, in addition to imposing refining capacity. Company's position in industry is assured. Earnings well maintained and in 1954 will probably exceed 1953 by small margin. This rate should be continued in 1955. Dividend well covered.

Rating–A^2

Deere & Co.: With signs that new farm equipment is in moderately better demand, outlook for industry seems somewhat improved. Earnings for this well-managed company lower in 1954 but in view of company's low-cost position and prospects for better sales in 1955, some increase in earnings can be expected. Dividend covered by satisfactory margin, under present conditions.

Rating–C^1

Pfizer (Chas.) & Co.: As one of the leading ethical drug companies, with an impressive position in antibiotic, vitamin and fine chemical field, Pfizer has made a relatively better showing than some competitors. Strong position, and outlook good, based on distinctive management factors. Dividend conservative.

Rating–B^1

Nat'l Container: Since 1952, earnings have failed to keep pace with those of other kraft makers but new paperboard mill and acquisition of Seaboard Container aid diversification and longer-term prospects. Modest dividend can continue.

Rating–C^2

Du Pont: Profits increased through higher General Motors dividend and benefits from end of EPT. Continued heavy capital expenditures for new facilities as well as broadening of markets through development of new products steadily enlarge this giant company's base and outlook. Dividend increased and 1955 payments should at least equal 1954.

Rating–A^3

Certainteed-Products: Continued expansion through new acquisitions have widened base of operations and, with expansion into growing Southwest territory, has strengthened its position. General outlook favored by continued heavy construction throughout the U. S. 1955 earnings prospect satisfactory and should show gain. Dividend well within capacity of company.

Rating–C^2

Phillips Petroleum: Decision on natural gas some months back have chilled enthusiasm for stocks in this category. As largest interest in this field, this is a temporary set-back for Phillips. Longer-range

prospect is for adjustment of this situation. In any case, as a natural gas producer, as well as an important factor in crude as well as derivatives, this company is in a sound long-term position. Dividends could be raised.

Rating—B^1

Colorado Fuel & Iron: Moderately higher earnings expected in 1955. Company's operating base improved through expenditures for new equipment. No cash dividend paid owing to heavy financial requirements but 7½% in stock. If operations improve, former $1.50 rate could be resumed.

Rating—C^2

Int'l Nickel: Benefits from new facilities should be in evidence next year. High depreciation and depletion charges tend to hold reported earnings down. Long-term outlook favorable with widening use of basic product in many industries throughout the world. Dividend well-covered.

Rating—B^1

Texas Pacific Coal & Oil: Aggressive development of properties in new oil fields is steadily adding to valuable reserves. Company mainly dependent on crude oil revenues but also interested in refining and natural gas. Earnings well maintained in recent years.

Rating—C^3

Virginia-Carolina Chemical: Company has improved its position through construction of new facilities and development of new synthetic fibre "Vicara." Need for building working capital to more satisfactory levels and large accumulated dividends on preferred preclude common dividends. Some speculative flavor through uranium possibilities in phosphate rock.

Rating—C^3

Howe Sound: Ore reserves limited and general outlook does not appear too promising but some possibilities exist for cobalt operations through subsidiary of American Cyanamid. Earnings in 1953 and 1954 low owing to poor zinc and lead prices. Recent improvement here may bring moderate earnings rise in 1955. Can maintain modest dividend only.

Rating—C^4

Marine Midland Corp.: Steady gain in earnings in recent years through acquisition of regional banks is likely to continue for this well-managed banking system. Preferred stock called and new issue, with conversion privileges, proposed to stockholders at forthcoming meeting. Dividends higher in 1954 and can be maintained in 1955.

Rating—B^2

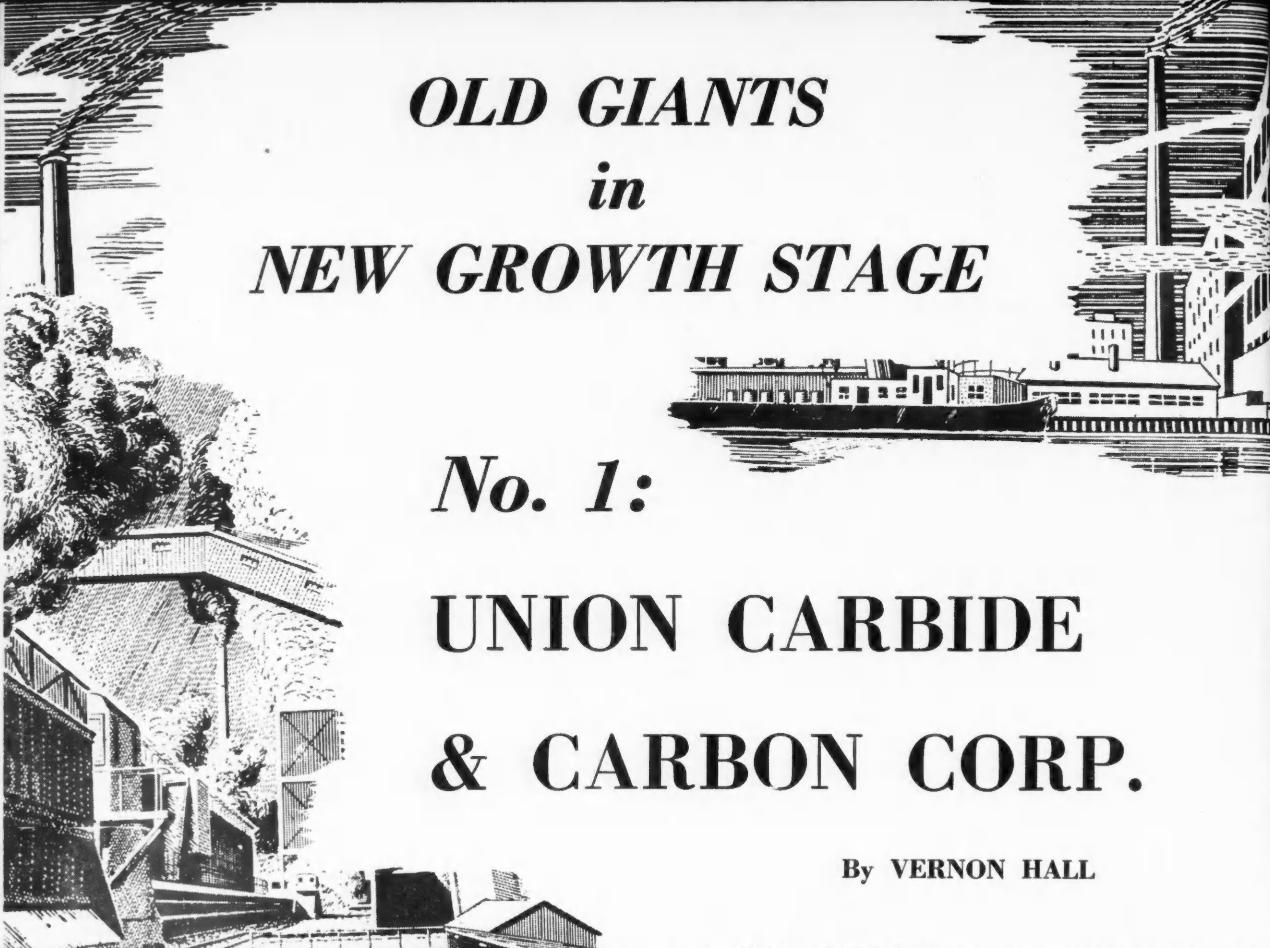
C.I.T. Financial: Outlook for this far-flung financing company should be favorably influenced in coming months by rise in auto financing, as (*Please turn to page* 408)

1954 Record of Most Active Stocks: 2nd Section (Cont.)

(Listed in order of volume of transactions: continued from last issue)

	1954 Estimated Net Per Share	1954 Indicated Div. Per Share	Price Range 1954	Recent Price	Div. Yield
Marathon Corp.	$ 2.00	$ 1.20	29- 19	28	4.2%
Kern County Land	n.a.	2.25	50- 39	50	4.5
Capital Airlines	1.75	[8]	18- 8	18	....
Niagara Mohawk Power	2.10	1.60	32- 27	30	5.3
Rockwell Spring & Axle	2.50	2.00	24- 18	24	8.3
St. Louis-San Francisco Ry.	2.25	2.50	27- 22	26	9.6
Solar Aircraft	3.10	1.10[4]	25- 15	21	5.2
Stevens (J. P.) & Co.	1.00	1.50	30- 22	27	5.5
South Carolina Elec. & Gas	1.40	.80	18- 14	18	4.4
El Paso Natural Gas	2.55	2.00	41- 35	39	5.1
Northern States Power	1.05	.80	16- 13	16	5.0
New York, Chicago & St. L.	5.25	3.00	45- 32	45	6.6
Sylvania Electric	3.00	2.00	48- 31	48	4.1
American Mach. & Fdry.	1.85	1.00[4]	28- 21	25	4.0
American Woolen	n.a.	......	23- 15	20	....
Int. Minerals & Chem.	2.44[1]	1.60	38- 28	38	4.2
American Gas & Elec.	2.45	1.68	41- 33	40	4.2
Pacific Gas & Elec.	2.80	2.20	45- 39	44	5.0
Consolidated Edison	2.90	2.40	47- 40	45	5.3
A.C.F. Industries	n.a.	4.75	47- 32	47	10.1
Admiral Corp.	2.60	1.00	28- 18	27	3.7
Texas Gulf Producing	4.75	1.55	92- 39	91	1.7
Allegheny-Ludlum Steel	2.00	2.00	43- 28	42	4.7
Duquesne Light	2.25	1.66	35- 28	34	4.8
Southern Calif. Edison	2.90	2.00	46- 37	45	4.4
Fruehauf Trailer	3.00	2.00[4]	35- 23	34	5.8
General Public Utilities	2.50	1.70	34- 28	34	5.0
International Paper	6.00	3.00[4]	88- 55	85	3.5
Delaware, Lack. & Western	2.25[2]	.75	18- 12	18	4.1
Grace (W.R.) & Co.	3.75	1.75	44- 27	43	4.0
Chance Vought	5.50	.80	38- 22	33	2.4
Sears, Roebuck & Co.	4.75	3.00	79- 57	76	3.9
Wheeling Steel	6.00	3.00	49- 30	48	6.2
Philco Corp.	2.25	1.60	39- 28	39	4.1
Erie R.R.	1.00	1.50	19- 16	19	7.8
Middle South Utilities	2.00	1.42½	32- 26	31	4.5
Johns-Manville	5.50	4.25	91- 61	87	4.8
Ohio Oil	6.00	3.00	70- 54	69	4.3
Goodyear Tire & Rubber*	10.25	3.25	102- 52	100	3.2
Westinghouse Air Brake	1.25	1.60	27- 22	26	6.1
Monsanto Chemical	4.20	2.50	106- 79	104	2.4
Standard Oil of Ohio	4.25	2.40	42- 32	42	5.7
Parke, Davis & Co.	2.00	1.40	38- 30	36	3.9
Paramount Pictures	3.50	2.00	37- 26	36	5.5
Pure Oil	6.25	3.00	74- 47	73	4.1
Trans. World Airlines	1.75	......	27- 13	27	....
New York, New Haven & Hart.	4.25[2]	......	33- 22	30	....
Consol. Gas Elec. Lt. & Pr. (Balt.)	1.90	1.40	31- 26	30	4.6
Inland Steel	7.25	3.75	69- 40	68	5.5
National Steel	3.75	3.00	59- 46	58	5.1

(d)—Deficit.
n.a.—Not available.
1—Actual; year ended 6/30/54.
2—Before funds.
3—Plus 1 share Nor. Ill. Gas for each 25 Comm. Edison.
*—Stock to be split 2 for 1
4—Plus stock.
5—Plus ½ share S.O.N.J. for each 60 held.
6—Paid 7½% stock.
7—No further div. action.
8—Paid 5% stock.



OLD GIANTS *in* NEW GROWTH STAGE

No. 1: UNION CARBIDE & CARBON CORP.

By VERNON HALL

Many American corporations have achieved such titanic proportions that they are aptly regarded as giants of the industrial world. These were, for the most part, big companies a few years ago but, as large as they were then, they were actually small in comparison to their present size, so great has been their growth since. Union Carbide & Carbon Corporation is well up in this group. Certainly an industrial corporation that can show for one year net sales in excess of one billion dollars not only ranks among the giants of American industry, but rises above this into the selected circle of super-giants.

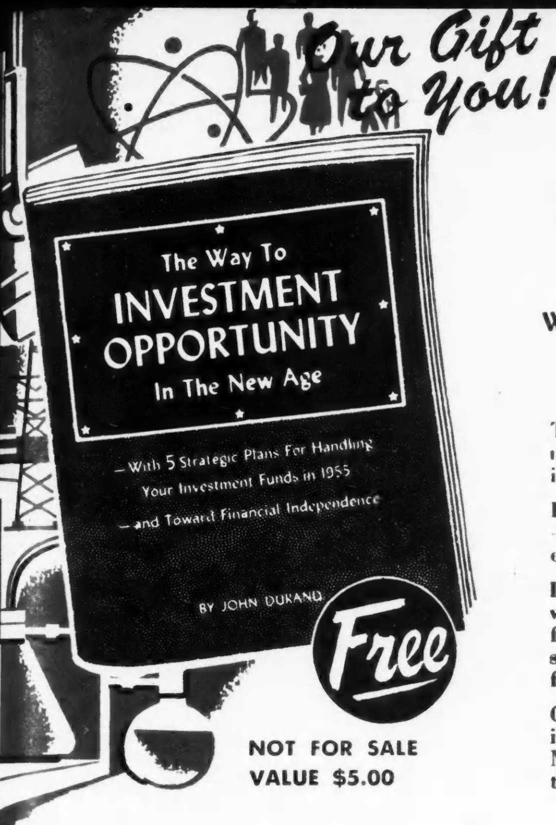
For those individuals who delight in delving into statistics, it undoubtedly would be interesting to know that since the first full year of peace following the end of the last world war, this big company has grown considerably bigger. Between 1946 and the end of last year its net sales have more than doubled, increasing 148 per cent. Within the 10 years, beginning with 1944, its fixed assets increased from $356 million to $1,164 million. After allowing for accumulated depreciation and amortization, net fixed assets grew from $151.5 million to $658.3 million. This is a net gain of 335 per cent which in itself highlights the remarkable growth in the last decade.

Getting Below the Figures

To be able to have some understanding of the potentials of UCC, it is necessary to dig deeper into the company; to get below the statistics, which merely portray what has been accomplished up to now, and understand, to the fullest extent possible, the factors which have operated to bring the corporation to its present position and which should continue as dynamic forces assuring further growth.

It is difficult to single out any one of these factors as having contributed most to UCC's products and sales expansion. The company states the most important factor has been the attention given to research, having long realized the vital contributions of research to its growth and prosperity. As UCC's President, Morse G. Dial, points out however, "Successful industrial research depends not only on the quality and magnitude of the research activities; it requires, also, the willingness on the part of management to maintain a permanent program looking far to the future, and the availability of facilities necessary to translate research results into commercial products, and to underwrite, in many cases, a long period of introduction and development." As President Morse expresses it: "It is the combination of all of these factors that has made research at Union Carbide so important and so profitable."

This attitude toward research not only points up the vitality of UCC but also furnishes a key to the dynamism of management from the top right down to the lowest echelon and spreading out to create an esprit de corps in the approximately 70,000 men and women employed in the company's factories, offices, laboratories and warehouses located throughout the United States and in Canada.



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With 5 Strategic Plans for Handling Your Investment Funds in 1955 And Toward Financial Independence

By JOHN DURAND

This great, new business-investment book is of outstanding usefulness, — designed to serve you in maintaining a sound and profitable investment position in the decisive year ahead.

Highly realistic and informative — it evaluates clearly and simply — political-economic forces shaping up in the world today, their effect on our economy and industry . . . on the investor.

In the 5 Strategic Plans for Handling your Investment Funds, we give you carefully worked out flexible programs and portfolios to meet conditions to prevail in 1955 . . . as well as selections of promising opportunities in dynamic companies for capital building as we move into a new age of expansion.

Our demonstrated skill in recognizing changing trends and their investment implications, makes this book — combined with The Magazine of Wall Street — an investment service that can be worth thousands of dollars to you in capital gains and peace of mind.

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- Adjustments and Realignments in East-West Struggle
- British Challenge to U. S. Leadership . . . Behind the Scenes Intrigue in "Balance of Power" Politics . . . Russian Aid to Sterling vs. the Dollar — Struggle for Trade — New Markets
- U. S. Maneuvers to Block Russia in Western Hemisphere — the Pacific — Asia — Africa . . . Strategy in Localized Conflicts . . . World War III Possibilities
- Tensions and Pressures as World Enters New Age of Atomic Power . . . Economic-Political Problems in Densely Populated Areas . . . Point 4 Aid
- Pressure of Foreign Goods on U.S. Markets . . . Where Demands for Tariff Liberalization Are Against U.S. Interests
- American Corporate Interests around the World . . . in Canada and other Boom Areas . . . in Trouble Spots . . . in Depressed Countries

PART II — *U. S. Economy As We Enter 1955*

(a) Re-making Industrial-Economic Map of U.S.A.
- Dispersion of Industry for Defense to Lessen Vulnerability . . . to Minimize Recession
- Speed-up of Great Migration to New Industrial Centers . . . New Self-sufficient Communities and Areas — New Merchandising Plans Needed
- Dynamic Forces Offsetting Recessionary Tendencies . . . New Innovations in Technology — Automation . . . Rapid Conversion to Atomic Energy to Assure U.S. Supremacy . . . to Ease Unemployment
- Administration Program . . . Dominant Political Factors to Determine Legislation . . . Support for Reversal of New Deal Practices, and Withdrawal of Government from Business
- Where Continuing Labor Demands Can Unbalance Economy . . . Affecting U.S. Position in World Markets . . . Creating Government Deficits — Inflationary Trends
- Budget under Political Inconsistencies . . . Subsidies — Foreign Aid — Stand-by Public Works Program
- Readjustments and New Avenues for Defense Spending

(b) Industrial-Corporate Adjustments to A New Age
- Varying Outlook for Individual Industries and Companies after Eight Years of Post-War Readjustment
- Companies Which Have Fortified Their Position Through Diversification in Various Fields to Meet Intensive Competition . . . Regulate Output — Expansion into New Areas
- Mergers . . . Where Consolidation Will Prove Beneficial — Profitable — or Merely Multiply Weakness
- Sick, Vulnerable; Static Industries . . . Affected by Overlapping of Products — Poaching — Unrealistic Competition

PART III — *How To Handle Your Funds In 1955*

(a) Factors Changing Investment Status of Individual Companies . . . In an Age of Major Transition
- Why the Investor Today Should Hold and Buy for Profit as well as for Assured Income
- Corporate Maturity . . . Where Still Dynamic — Stagnant — Decaying . . . Liquidating Proposition . . . Fading Blue Chips
- Essential Facts to Know About . . . Steel — Oil — Chemical — Transportation — Utilities — Merchandising — Autos — Electronics — Building — Textile — Rubbers — Metals, etc.
- Companies Geared to New Age . . . Multiple-Product Co.'s

(b) Individual Stock Movements vs. General Market
- Why Individual Stock Movements Give You the Answer to Price Trends Today . . . Meaningless Averages
- Why Precise Knowledge of Earnings — Dividend Potentials Are Ultimate Factors in Deciding Security Values . . . under Major Industrial Adjustment
- Technical . . . Psychological . . . Fundamental Influences Likely to Shape 1955 Security Prices
- Professional Methods to Protect Your Position

PART IV — *The High Road To Financial Independence*
- Building Your Future Income to Meet Your Goals
- Planning in Basic Issues — in Dynamic Emerging Opportunities . . . How and When to Buy Re-vitalized Companies in Growth Position
- Timing a Businessman's Risk in Small Companies — Special Situations — Above-Average Growth Potentials
- Buying Low-Priced Stocks for Fortune Building . . . Speculative Investments in the Blue Chips of Tomorrow

PART V—*5 Strategic Investment Plans For 1955 To Meet The Varying Needs Of Individual Investors*

1. ***All-purpose Diversified Program*** of Issues Realistically designed for — protection of invested capital . . . security of income . . . long-term capital gains — Strategically-placed companies with high ratio of earnings to dividends ready to exploit new areas — new markets.
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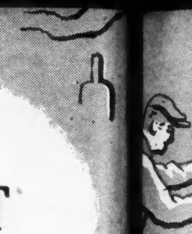
Preview

of Important Features in The MAGAZINE of WALL STREET coming in the

JANUARY 8th and JANUARY 22nd
issues



Evaluating Prospects For Non-Dividend Paying Stocks

By Ward Gates

- *Those on the verge of resuming or initiating dividends*
- *Where payments are likely to be reinstated to 1955-56*
- *Where outlook for any dividends is remote*

In our continuing search for exceptional investment values for our subscribers — we have made a penetrating study of "Big Board" stocks which for one reason or another have not been paying dividends. We have probed deeply into their current position, earnings, finances — 1955 outlook . . . and offer specific advice as to whether dividend payments can be expected shortly — over the long term — or not at all. Because some of these are neglected stocks — or issues which have been oversold — the shares we designate as most favorable for income also offer possibilities for *substantial rebound in price.*

Fertilizer Companies With Uranium Prospects

By Frank L. Walters

An old industry is being galvanized into new activity by unexpected developments to have a striking effect on earnings of some, but not all, companies. Two factors changing this industry's operations are described in this article, with conclusions enabling you to decide stocks are most promising.

A New Service Feature
Investment Clinic

We will analyze *inquiries received from subscribers* . . . call attention to weakness and strength in their holdings—offer suggestions for correcting and upgrading their stocks where necessary . . . to assist subscribers realistically—both for near and longer terms.

Can Banks Maintain Earnings Growth?

By J. S. Williams

This informative study tells you the position of the banks today and how they are likely to fare in 1955 (after our analysis of their 1954 Annual Financial Reports) . . . with special emphasis on earnings and dividend trends — unusual effects of latest tax revisions — possible stock splits — mergers.

20 Companies Whose Dividends Have Increased Steadily in Each Post-War Year

By John D. C. Weldon

Here is a valuable appraisal of 20 unusual companies which provide two types of income-and-capital growth . . . (1) *conservative* enhancement with constantly rising dividends . . . (2) *dynamic* expansion with stock splits, stock dividends and mounting cash dividends.

Interesting text and two separate tables give full 8-year figures on these contrasting growth situations . . . telling you the varying extent to which stockholders have benefited . . . and what *opportunities they offer you today.*

5 Companies With Large Reserves in Retained Earnings

By George L. Merton

Presented in our famous "Thumbnail" analyses . . . these recommended shares represent companies whose earnings have fiananced their expansion without borrowing . . . with huge cash balances on hand for future development of new products — for exploiting new markets — or for special dividend purposes.

A Realisti[...]ach To 1955 Se[...]ark

By A. T

Our special skills in judging market m[...]last ye makes this feature of unusual importan[...]ors. In tion of the business . . . economic . . . [...]al for markets in the year ahead.

Timely and invaluable — it gives you an [...]minute of all the leading industrial groups and [...] estim market position-against the background [...]nd ur now operating in the stock market.

This feature, together with our special [...]y, "W TODAY?" *which analyzes and rates each [...]ctive* value today to investors thinking in term[...]ation

Companies With "Bonanza" Growth[...]ls

— Where Land and Mineral Holdi[...] Enrich Company's Future

By James A. Jackson

Listing:—
- *Companies already Receiving Benefits*
- *Those where promising exploration is underway*
- *Those where potentials are under development*

This special [...]nto an extraord[...]un-tion shows [...]vi-ously held [...]gs have sudden[...] of enormous va[...]will greatly enlar[...]gs-dividend pote[...]r a long period i[...]re.

Invaluable to investors seeking opportuni[...]ab-lished companies with well-defined po[...]nd where earnings-dividends may be suppl[...] by new windfalls and profit.

AN ANALYSIS AND APPRAIS[...] THE PRESIDENT'S THREE MESS[...]

— State of the Union, Budget, and Econom[...]

By Harold Nicholson

Part I — January 22nd Issue: An authoritativ[...]tic appraisal of the President's report on where the [...]nds economically after two years of his administrati[...]eps he recommends—and to what extent the new Co[...]ely to go along. It will cover such vital areas as Pu[...]... State Aid . . . Farm and Other Subsidies . . . L[...]cial Security . . . Atomic Energy Program . . . Tariff . . . [...]nd Foreign Trade.

Part II — February 5th Issue: In this section w[...]ze coming major budgetary changes . . . federal inco[...]go . . . individual and corporate tax prospects . . . [...]ry-deflationary aspects . . . important shifts in defe[...]ria-tions . . . foreign aid — with a precise analysis of t[...]t's economic program and his plans for short-term [...]-by economic aid to business.

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y A. T.

ket m last year (and over the years) . . . ortan ors. In it we make a careful evalua- c . . . al forces likely to govern security

ou an minute survey of the market action s and estimate of their investment and ound nd unprecedented technical forces

ecial b y, "WHERE DO STOCKS STAND *each ctive stocks . . . is one of the greatest* term ation of capital, income and profit.

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Men of Faith and Genius

—Leaders who in building strength for their companies in the post-war years helped to minimize serious recessionary tendencies

By Howard Wingate

This is a story of accomplishment in the face of revolutionary change in a period of major readjustment,— and the courage and hard work that helped to hold up our economy — and inspire confidence in the strength of our institutions and our country's capacity to weather adversity. Again it proves that it is man who makes economics — not the other way around.

EXPORT-IMPORT OUTLOOK FOR 1955

By U. L. Horoth

This is an expert analysis of developing trends in import-export trade in the light of improved economic conditions abroad—and increased competition from foreign goods at home. It discusses tariffs . . . those politically motivated . . . where tariff revisions are likely to offset inroads of imported articles — East-West trade . . . Russian dumping at below cost — and prospective changes in price levels. *(followed by a special article on CARTELS in Jan. 22 issue).*

★ Which Industries—Which Companies— Offer Best Prospects For 1955

Our Specific Estimate of 1955 Business Prospects. **Our high accuracy in gauging the business outlook in the face of great confusion this past year gives above average interest to this realistic survey and forecast of the new factors that will dominate business trends — and the progress of individual companies in 1955.**

Varying Outlook For Major Industry. **In a practical manner we will weigh on balance the factors of stability . . . of recession vs. growth . . . the new products and industries taking up the slack of retarded ones. We will tell you clearly which industries are likely to encounter serious problems — which will record improvement over 1954 — which offer the brightest earnings and growth prospects for 1955 . . .**

— RAILS	— BUILDING	— MOVIES	— RUBBERS
— OILS	— UTILITIES	— TEXTILES	— AVIATION
— FOODS	— CHEMICALS	— STEELS	— MERCHANDISING
— MOTORS	— LIQUORS	— MACHINERY	— EQUIPMENTS
— TOBACCOS	— METALS	— PAPERS	— AMONG OTHERS

Coming Special Features and Bonus Studies

Where Do Stocks Stand Today
—After 15 Months of a Rising Market?

By A. T. Miller

- *Where Are 1954's Big Movers Headed Now?*
- *Which are fully priced*
- *Which are undervalued*

Every investor will be keenly interested in this down-to-earth appraisal of individual issues vs. general market . . . and the analysis of each of the 200 active stocks that have recorded the biggest price-advances in 1954. It will show which issues *have discounted their potentials for the foreseeable future*—which are *still undervalued and merit retention* or *purchase.* Particularly, it will present fundamental values, earnings-dividend prospects, and outlook in 1955. Our expert conclusions can be worth much more to you than the entire annual subscription cost to our Magazine.

1954 Stock Laggards

— which are at bottom — which may decline further — which are ready to turn upward

By Our Staff

- *Which Stocks We Would Not Hold — and Why*

Here is a valuable, revealing study of "Big Board" stocks which actually declined—or shared to only **a minor extent in the 1954 advance. It probes behind surface indications to give you a true picture of the position and outlook for each issue. Specific conclusions — with full, latest statistics and expert ratings — tell you which stocks to avoid — which merit retention — which laggards are most likely to be transformed into coming leaders.**

Our Special 1955 Breakdown of Annual Financial Statements and Quarterly Reports . . .

Timely and practical investment reappraisals — with breakdown of 1954 financial statements issued by the individual companies.

These valuable reappraisals are particularly important this year. And, *because this is our specialty* — in which we have been highly accurate for many years — these analyses are carefully studied as a realistic guide to industrial trends and security values — by substantial individual and institutional investors — by security analysts — and business executives.

INDUSTRY-BY-INDUSTRY **— we will take up and project developing economic and industrial trends . . . government policies and their effects . . . and weigh the outlook for 1955.**

COMPANY-BY-COMPANY **— our analysts will interpret vital statistics on the basis of earnings — dividends — financial position . . . in the light of 1954 annual statements and quarterly reports as they appear.**

★10 Potential Market Leaders For 1955

You will particularly want to receive our 1955 Market Leaders—a "Looked For" annual feature which in 1954 produced 163⅞ points profit.

The organizational structure of UCC is somewhat unique. The simplest way to describe it would be to say that all levels of management work as a "team" and yet to put it that way falls short of the mark. In UCC, group effort is so important that executives refer to the company as "the community." All through the organization there is an attitude that amounts to "family pride." One reason for this spirit is that the men responsible for the 18 subdivisions of the five UCC divisions and the more than 230 manufacturing operations are all "workers"; that is, they are men who have come up from the lower ranks. Morse G. Dial, UCC's president, joined the company as a sales supervisor, advancing in the '30s, to managing the Pyrofax and Vinylite divisions. He spent most of the next decade as assistant secretary and assistant treasurer, eventually moving up rung by rung into the top executive position in 1952.

Mr. Dial's career in the organization is typical of that of other officers, past and present, of the UCC corporation and its divisional companies. Every one of these men joined the organization first in some comparatively minor capacity. Vice President Thomas D. Cartledge, for instance, as a salesman in the Linde Air Products division right after World War I upon his discharge from the Navy, and Harry B. McClure, recently made President of Carbide and Carbon Chemicals Co., division who served in various capacities which led to his becoming Manager of the Fine Chemicals Division in 1936. Incidentally, Mr. McClure succeeded Dr. J. G. Davidson as C & C Chemical's President, the latter being elected Chairman of that divisional company as well as a member of Union Carbide & Carbon Corp.'s important Appropriations Committee.

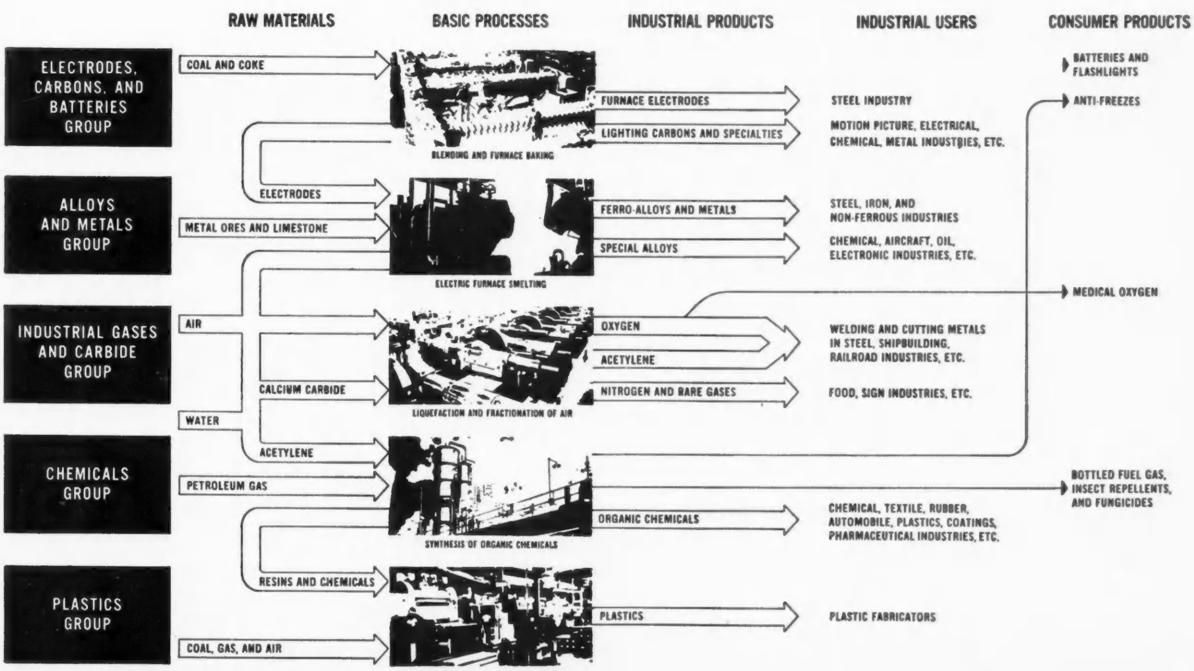
It is this system of promotion from within that contributes substantially to UCC's strength. The Appropriations Committee, the President and the Vice Presidents of UCC, with the exception of two of the legal profession, are executives with an intimate knowledge of the extensive operations of the corporation, and with specialized technical training and practical experience in the production, sale and distribution of UCC's products and their use in technical processes. Together with the officials in the divisional companies, these officials have a common interest—the success of every undertaking and the increased prosperity of the corporation as a whole. From this stems the "family pride" and the practice of consultation when it comes to making important decisions.

This has been UCC's way of doing things from the time of its inception 37 years ago. Its units at that time included Union Carbide Co., Electro Metallurgical Co., National Carbon Co. Inc., the Prest-O-Lite Co., Inc., and The Linde Air Products Co. Although these companies were producing widely different products, they were all closely related in their business and research activities. This was the beginning of the community interest.

Team-work the Hall-Mark

As the late Benjamin O'Shea, who at one time served as President and later as Chairman of UCC, expressed it almost a quarter of a century ago, "department heads and the officers of the different companies all have plenty of authority to do almost anything they think is the proper thing to do. They have learned that it almost always pays to discuss important problems with other individuals. No one man can know all there is to know about any subject. He may consider a certain problem in a certain light and then come to a decision; yet when the viewpoint of some other man is added to his experience, the whole matter may take on an entirely different aspect." Recognition of this factor and carrying it into practice by UCC gives its management from the

HOW "CARBIDE" DIVISIONS WORK TOGETHER



top down a value that is not very far below that of its research policies.

The combination of the two have resulted in the great growth of the company, although research produces the tangible fruits. Work in this field is carried on in 23 research and product development laboratories, staffed by close to 3,000 scientists devoting their full time to these activities. In some cases, the effect of research upon earnings has been almost immediate. In some others the results have yet to be known. Many of the latter efforts, therefore, have yet to make themselves felt in UCC's sales and earnings. Meanwhile, work in these various centers, as well as in the sales development laboratories goes on. It embraces a wide range of scientific investigations in the field of physics, electro-chemistry, and organic, inorganic and physical chemistry. Special emphasis is placed on the synthesis of organic chemicals and the development of improved plastics products; to the separating and treating atmospheric hydrogen gases for metallurgical, chemical and other uses, and to metallurgy and use of electric furnace products.

In addition to these activities in its own centers, UCC operates the great Oak Ridge National Laboratory as well as the plant at Paducah, Ky., for the Atomic Energy Commission. The activities at these centers cover a broad field, including gaseous diffusion, chemistry, chemical technology, nuclear physics, metallurgy and other materials and processes in which developments herald many significant changes in a wide range of research, development and industrial practice. Because of its close association with these developments in the atomic energy industry, UCC appears to be in a favored position to ultimately apply the knowledge now being obtained to commercial and industrial problems.

UCC is also identified with the production of uranium ore. Its subsidiary, United States Vanadium Co., one of the earliest operators in the Colorado Plateau, owns mines in Colorado and Utah, and is operating two large uranium ore refining plants in the Colorado area.

Its research and development program in atomic energy and nuclear science is separate and distinct from the work carried on its own research laboratories, although its research talents in all major fields of interest contributed important parts to the development of atomic energy during wartime. Out of its own laboratories have come many new products year after year in such a flow that many not available as recently as 10 years ago accounted for about 25 per cent of last year's increased physical volume of sales. New product development is only one factor in UCC's progress. Its engineering staffs have kept pace with research activities in providing the plants and equipment needed to translate new developments into commercial products. This has involved not only design and construction of new facilities, but also testing, redesigning and reconstructing existing facilities to keep them operating effectively under changes in both technological and economical conditions.

High Pace of Expenditures for Expansion

Within the two years 1952 and 1953, expenditures for additional production facilities amounted to approximately $311 million, to which the 1954 construction program would add about $120 million more. While substantial sums were alloted in each of the three years to provide additional facilities for the Electrodes, Carbons and Batteries Division, and for the Industrial Gases and Carbide Division, the greater portion of total expenditures went to expand the Alloys and Metals and the Chemical and Plastics Divisions which, combined, account for approximately 73 per cent of total sales. Broken down, the Alloys and Metal group and the Chemical group each contribute about 28 per cent, with 17 per cent being derived through the Plastics group.

It is not given to anyone to predict which of UCC's five major groups will record the greatest growth within the next few years to the next decade. Apparently, the fastest rate of expansion promises to be in the three groups mentioned in the preceding paragraph. UCC, because of its early and extensive research program, is already the largest producer of ferro-alloys and alloying metals used, for instance, principally in the manufacture of iron, steel and some non-ferrous metals. It is ferrochrome, for example, that gives stainless steel its rust or tarnish

10-Year Earnings and Operating Record

	Net Sales (Millions)	Operating Income (Millions)	Operating Margin	Income Taxes (Millions)	Net Income (Millions)	Net Profit Margin	Net Per Share	Div. Per Share	Per cent Earned on Invested Capital	Price Range High Low
1954 (9 months)	$ 667.1	$120.3[1]	18.0%[2]	$ 57.2	$ 63.1	9.4%	$ 2.18	$ 2.50[3]	......	89 -70⅝[4]
1953	1,025.8	216.9	21.1	124.9	102.7	10.0	3.55	2.50	15.8%	75¼-61½
1952	956.9	212.3	22.1	128.9	98.3	10.2	3.41	2.50	15.9	72¼-57
1951	927.5	257.3	27.7	164.4	103.8	11.2	3.61	2.50	17.7	66⅝-53⅜
1950	758.2	229.4	30.2	113.6	124.1	16.3	4.31	2.50	23.2	55¾-40⅛
1949	585.7	140.2	23.9	53.6	92.2	15.7	3.20	2.00	19.3	45½-33¾
1948	631.6	155.1	24.5	57.1	102.3	16.2	3.55	1.66	23.1	43¼-37⅛
1947	521.8	115.7	22.1	46.5	75.6	14.5	2.66	1.25	19.4	36⅞-29¾
1946	414.9	88.8	21.4	35.7	57.2	13.7	2.03	1.00	17.0	41⅝-29¼
1945	481.5	92.8	19.2	58.3	37.8	7.8	1.34	1.00	12.2	34⅛-26⅛
1944	507.9	124.8	24.5	83.3	37.7	7.4	1.35	1.00	12.5	27½-25¼
10 Year Average 1944-53	$ 681.1	$163.3	23.6%	$ 86.6	$ 83.1	12.3%	$ 2.90	$ 1.79	17.6%	75¼-25¼

1—Pre-tax income.
2—Pre-tax margin.
3—Indicated 1954 dividend.
4—To Dec. 9, 1954.

resisting qualities. This and the other of the company's alloys remove impurities and impart certain wanted qualities, such as added strength, hardness and corrosion in metals capable of standing up under temperatures running as high as 2,000 degrees F. One of the most recent additions to UCC's metallurgical facilities was the opening on December 10 of this year of new facilities for the production of electrolytic manganese which when in full operation will have a capacity of 6,000 tons annually. The electrolytic process produces minimum 99.9 per cent pure manganese metal, suitable for all uses where high purity manganese is required, such as stainless steels, high-temperature alloys, and the non-ferrous metals containing manganese, and in the production of electrical resistance alloys and high-temperature alloys.

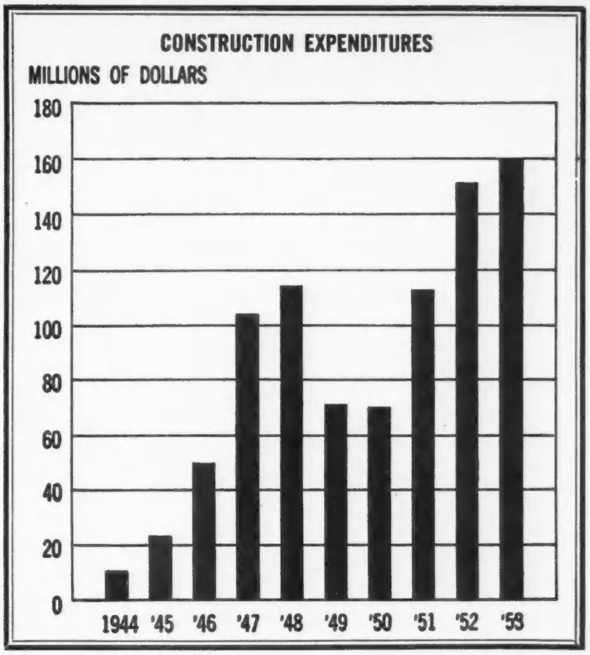
Entrance Into Titanium Field

On the basis of present schedules, UCC, through its Electro Metallurgical division, will be producing titanium by 1956. It has already awarded a contract for construction of a $31.5 million titanium sponge production plant which will be geared to turn out 7,500 tons of the titanium sponge annually, making it one of the largest producers of this much sought after, tough, lightweight metal. The new plant, to be located at Ashtabula, Ohio, will use a new Electromet process incorporating the most advanced techniques and process. In the meantime, research in metallurgy continues without interruption looking to the development of metals for high temperature service and to make possible the production of steel to withstand temperatures as low as 196 degrees Centigrade.

The pace set by the Alloys and Metals group is being met by UCC's Chemical Division. Last year, 20 new chemicals were produced in commercial quantities for the first time. An outstanding 1954 achievement has been the completion of a new Texas City, Tex., unit of the Carbide and Chemicals Co., for the production of more than 60 million pounds of chemicals a year by the Oxo process. Also nearing completion is a plant to expand the production of silicones, a completely new "family of products" for entirely different end uses than those now being produced by other manufacturers. Coupled with these activities, the company through Union Carbide Canada, Ltd., a subsidiary, acquired at a cost estimated in excess of $10.5 million a petrochemical plant in Quebec, for the production of ethylene glycol by its direct oxidation process, and will add additional facilities for the production of polyethylene and related materials, making it a completely integrated petrochemical plant.

Prospects for Plastics

The potentials in the plastics field cannot be measured. UCC through its Carbide and Carbon Chemical Co., and its Bakelite Co., pioneers in the plastic industry, is producing phenolic and vinyl resins, polyethylene and polystyrene plastics in a number of forms for use by fabricators of building materials, house furnishings, wearing apparel, toys and for various industrial uses in constantly increasing quantities. UCC has found it necessary to add new production facilities to meet the rising demand, reducing the price as improved production processes and increased output effected operating economies.



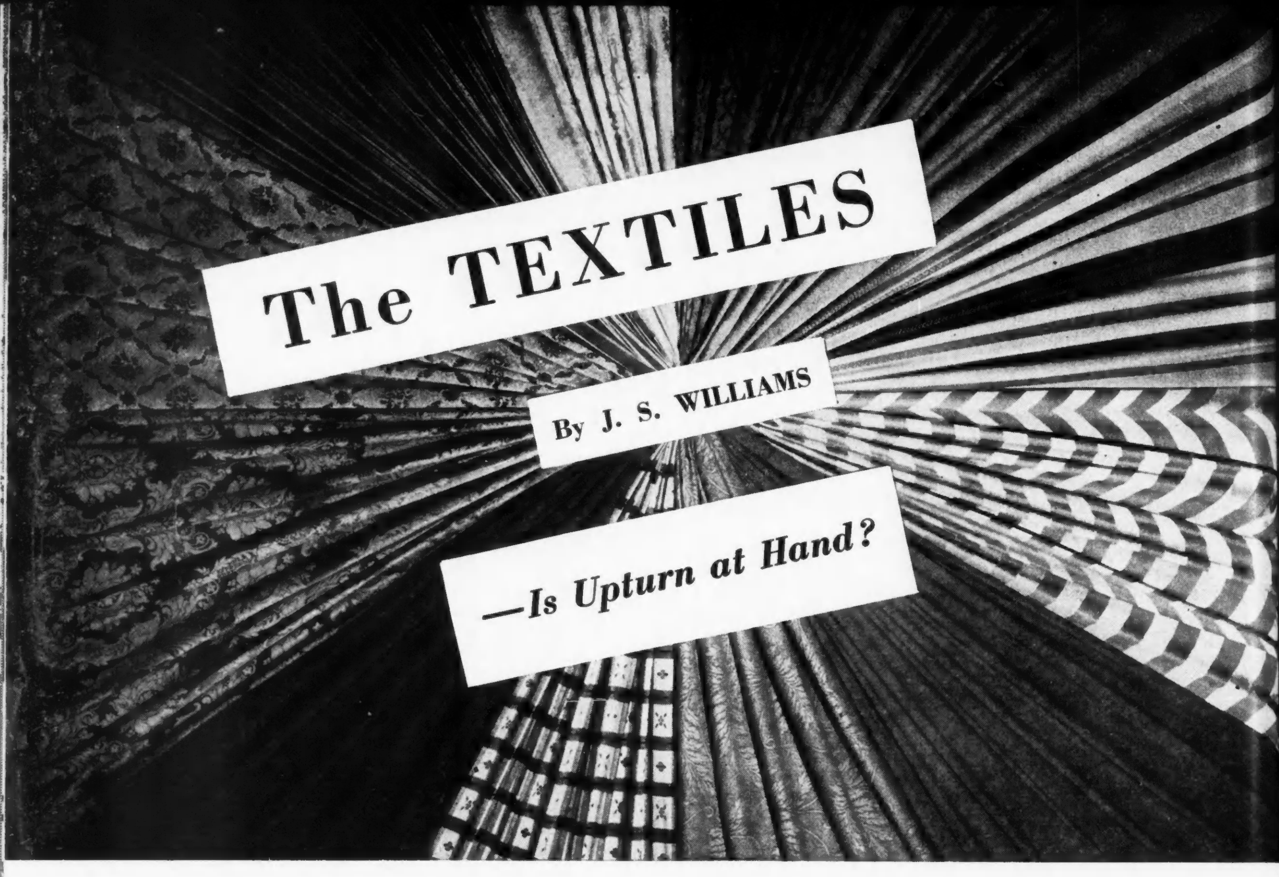
According to current plans, its output of polyethylene plastics by 1955 will be well over 250 million pounds yearly. In addition, new facilities of the Bakelite Co. Division, construction of which is expected to start soon after the turn of the new year, will be designed to produce high-impact polystyrene and new polystyrene molding materials.

Just what percentage increases UCC will record in sales of alloys, chemicals and plastics in relation to total sales depends on how rapidly it will record increases in sales of electrodes and carbons, and industrial gases and carbides. These two divisions undoubtedly will continue to be heavy contributors to the ultimate showing. With an eye to the future, UCC, in the last seven years has spent approximately $57 million in expanding and improving Carbon division products to meet the increasing demand for carbon electrodes as the steel industry resorts more and more to the use of the electric furnace to produce fine steels, and in anticipation of the greater use of high-purity graphite or carbon required by atomic reactors.

It has also spent in this seven year period approximately $77 million to expand and improve its production of industrial gases which are being put to increasing uses by industry, particularly the steel producers, manufacturers of television tubes, and even to the mining of taconite in the Lake Superior region in Minnesota.

Altogether, UCC, since the early '40s has spent close to one billion dollars on new plants and laboratories, and expanding existing facilities, and spending in 1953 alone about $34 million for experimental and development research, thus providing a broad base for future growth of a company that now ranks as one of the industrial super-giants.

Its growth, as in the past, undoubtedly will be marked by temporary lulls reflecting general economic conditions. This is made apparent by the results recorded in the first nine months of this year when sales of $667.1 million dropped under the $782.8 for the first (*Please turn to page* 416)



The TEXTILES

—Is Upturn at Hand?

By J. S. WILLIAMS

A more prosperous year looms in 1955 for textile and apparel manufacturers. With the benefit of increased consumer spending, accompanied by a significant curtailment in output, firmer price trends have been developing in yarns, grey goods and other raw materials as well as in finished goods. Cutthroat competition among textile finishing companies and among garment makers has moderated in recent months. Weak units have suspended operations or have been absorbed by stronger concerns. In short, a typical downtrend in this major industry has run its course preparatory to a strong recovery, judging by trustworthy economic indicators.

Textile manufacturers have been adjusting their affairs to rapidly changing conditions. Extraordinary military requirements gave impetus to expansion in the early 1940's which accounted for excessive production and keen competition after hostilities ceased in 1945. The brisk war scare buying of 1950-51 spurred by the Korean incident complicated the transition to normal operations. Excessive inventories accumulated in the hands of consumers and distributors in 1951 set the stage for the protracted lull which followed in 1952 and 1953. A moderate recovery which began two years ago and carried through the first half of 1953 encountered adversity after a brief improvement.

Inventories Down

Inventories accumulated by consumers four years ago appear to have been depleted. With confidence in job security rising and with overtime pay again in evidence in many industries, consumers are displaying a stronger interest in apparel, draperies, house furnishings and other textile goods. Production has turned upward even though some high-cost facilities have been dismantled. Mill production rebounded to about 95 per cent of the 1947-49 average in the second quarter of 1954 from the recession low of 90 per cent reached last winter. Operations gradually edged higher until the rate approached 100 in the fourth quarter, judging from early estimates.

On the basis of bookings recorded by major representatives of the industry, mill production should reach the best level since mid-1953 in the first quarter of 1955. Producers began to turn down forward orders several months ago until a general upward revision in prices demonstrated that demand had been established on a firm basis. Manufacturers took additional orders at higher quotations with the result that an encouraging recovery in earnings appeared probable for the fourth quarter and for the first three months of 1955. Better control over costs has been obtained through installation of modern machinery and through elimination of inefficient plants. Labor rates have been restrained more effectively than in many other industries by reason of reduced demand for workers.

Prospects for continued gains are regarded as favorable for two primary reasons: (1) A high rate of residential construction forecast for 1955 would be regarded as reassuring by reason of creating a need for carpets, furnishings and other essential textile requirements; and (2) the strong uptrend in population which means steadily enlarged apparel needs. Moreover, growing emphasis on sportswear is expected to contribute to greater consumption of

textiles of certain materials.

Volume of textile production and sales follows closely the trend of disposable income even though variations from time to time are caused by national emergencies. Projections of government agencies point to a steady rise in the Gross National Product and in factory payrolls, suggesting that expenditures on non-durables may remain at a high level. Such favorable economic conditions may be expected to swell sales of representative textile manufacturers.

As a result of recent mergers and other corporate adjustments, substantial economies have been effected. High-cost manufacturing facilities have been scrapped. Several companies have closed mills in the North and have moved production to modern plants in the South. Although such changes have involved costly charges against current operations, the moves point to eventual benefits in profit margins. Production is being concentrated in stronger and more capable hands with the result that reckless competition is being eliminated.

Rapid Integration a Feature

In addition to consolidations and shifts to more satisfactory labor and weather regions, the industry has been bolstering its competitive position by proceeding with vertical integration programs instituted several years ago. The textile-making process involves several steps from production of fibres from raw cotton and wool or synthetics to spinning into yarns and weaving into fabrics, after which a finishing and printing operation is needed to prepare materials for fabrics from which wearing apparel, bed linen, towels and other essentials are made. Some large companies have combined several of the fabricating steps and even have installed distribution channels, including retail outlets.

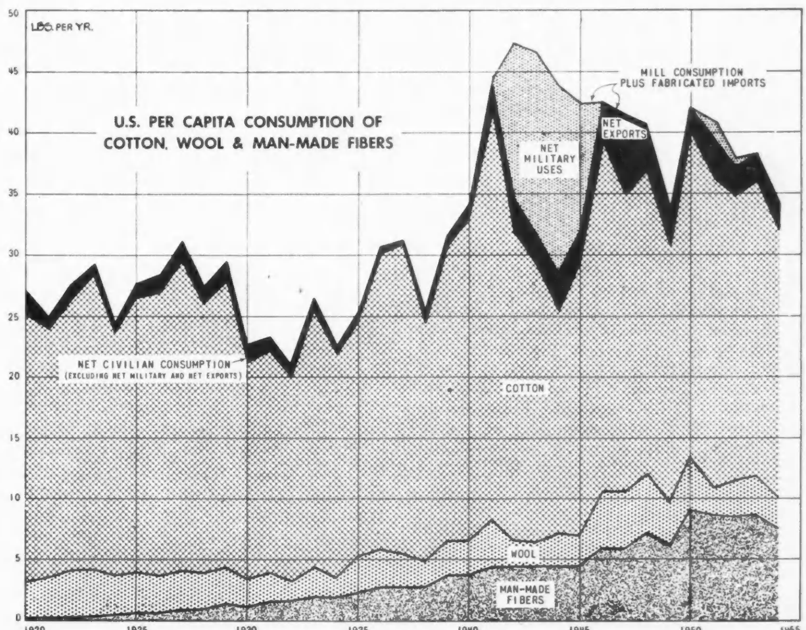
Included in the broad textile group, aside from yarn and fabric producers, are apparel manufacturers. Companies representing this branch of the business have suffered from reduced retail demand resulting from overstocking of wearables in the Korean episode. This branch of the industry also has been adversely affected by changes in buying habits and in consumer tastes in recent years. As an example, the strong preference for sportswear has restricted demand for conventional men's suits, shirts, ties and hats. Women have shied away from wearing hosiery in the summer. To adjust to changes in consumer tastes, manufacturers have been compelled to cut back on output of standard lines and to place greater emphasis on new styles in sportswear.

It seems apparent that the numerous postwar problems encountered by textile manufacturers would have conflicting influences on various segments of the industry. Some companies have been more seriously affected than others. A few have managed to fare reasonably well, while others have barely survived with few rewards for stockholders. To gain a better picture of current conditions and the 1955 outlook it may be well to review affairs of several representatives of various sections of the trade. Attention will be directed primarily to producers of cotton goods or diversified manufacturers rather than to the large factors in synthetics. The latter group was covered in the October 30 issue.

CANNON MILLS: Ranking as one of the largest and most aggressively managed companies in cotton goods, Cannon Mills has established an enviable record in a highly competitive industry. Products consist chiefly of toweling, sheets and pillowcases as well as gray goods, draperies, etc. Emphasis on staples combined with aggressive promotional efforts has contributed to the successful earnings record. Restriction of operations to southern mills and integration of operations help to explain maintenance of satisfactory margins under unfavorable economic conditions. Sales are conducted directly with wholesale and retail outlets. A comparatively small business in hosiery has been developed in recent years.

Allowing for a moderate decline in earnings this year from the 1953 showing of $4.95 a share, net profit in the last five years has averaged between $4.50 and $4.75, affording ample protection for the $3 annual dividend rate which has prevailed in that period. Meantime, working capital has steadily improved and book value has climbed. Although the stock has been held back by widespread lack of interest in the industry, demand recently has boosted quotations to the best level in four years. The shares have attained investment ranking by reason of a long dividend record.

CLUETT, PEABODY & CO.: In another phase of the textile business, Cluett, Peabody & Co., is a leader, namely, manufacture and distribution of men's and boys' apparel. The company pioneered in



production of stiff collars, expanded operations to embrace shirts and pajamas under the "Arrow" label and gradually developed other items such as ties, underwear, handkerchiefs and swim suits as well as sport shirts, slacks, etc., appealing to discriminating consumers. In addition to textile lines, the company has enjoyed substantial revenues from licenses for use of the trademark Sanforize used on fabrics processed to minimize shrinkage. Despite the fact that patents on the process expired five years ago, many textile makers continue to use the process and pay royalties for the equipment which carries the trademark.

Like most companies engaged in producing textiles, the company has experienced wide fluctuations in earnings. Although profits have fluctuated from slightly more than $2 a share to above $7 a share in the last five years and have averaged between $4.25 and $4.50 a share, investors have shown a skeptical attitude toward the company's shares. Prices have not approached the 1946 peak above 60 or even the 1947 high at about 48. A comparatively low appraisal of earning power reflects apprehension over keen competition from unbranded merchandise as well as some doubt over dividend rates. Management has followed a practice of paying regular dividends at the rate of 50 cents quarterly and of approving year-end extras when warranted. A liberal policy has accounted for a higher than average return on the investment.

INDUSTRIAL RAYON CORP.: Although Industrial Rayon Corp., the third largest producer of viscose rayon yarns, generally is regarded as an important segment of the synthetic textile group, in a sense it belongs to the tire industry, for a substantial part of output is channeled into tire cord for use in the manufacture of casings for motor vehicles. Other products are utilized chiefly in the manufacture of women's and children's undergarments. Capacity of plants had been enlarged this year to about 122 million pounds of yarn, of which approximately three-fourths found its way into tire cord.

Assuming that motor car manufacturers enjoy a successful year in 1955 and replacement tire sales follow the traditional pattern of original equipment sales of two years previously, rubber tire makers may count on record sales in the coming year. Such a development would prove favorable for Industrial Rayon, which accounts for a high proportion of tire cord used in the trade.

Earnings have averaged close to $5 a share for the last five years, affording wide coverage for dividends. Because of the company's close association with tire manufacturing, the stock has shown superior behavior marketwise. Unusual stability in earning power for a textile manufacturer has been demonstrated. For this reason, the stock has gained popularity among portfolio managers.

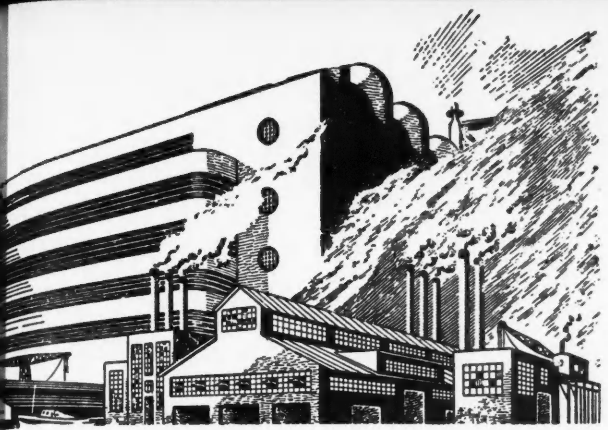
M. LOWENSTEIN & SONS: Concentration on specialties, in conjunction with successful styling, goes far toward explaining successful results of M. Lowenstein & Sons. The company has achieved outstanding success since the war as a result of enlargement of facilities at the time hostilities hampered the industry's operations. Opportune acquisitions enabled the management to integrate production and put into effect operating economies. Output consists primarily of mass-produced popularly priced fabrics suitable for women's and children's dresses. Other outlets include men's shorts, handkerchiefs and household textiles. A small part of production comes from synthetics.

Earnings have averaged (*Please turn to page* 416)

Position of Leading Textile Companies

	1953 Net Sales (Millions)	1953 Earnings Per Share	1953 Div. Per Share	1954 9 Months Net Sales (Millions)	1954 9 Months Net Per Share	1954 Full Year Indicated Div.	Price Range 1953-54	Recent Price	Div. Yield
American Woolen	Merged into Textron American, Inc.								
Beaunit Mills	$ 85.3	$ 3.03	$ .25	$ 36.6[1]	$ .84[1]	$ 1.00	23⅜-13¼	22	4.5%
Belding Heminway	22.2	1.38	.65	n.a.	.62	.70	14⅜-10⅛	12	5.4
Botany Mills	32.2	(d) 3.38	......	9.9[1]	(d) 6.28[1]	......	2⅞- 2	2	
Burlington Mills	360.8	1.35	.60	347.4[2]	1.04[2]	.60	16¼-10⅜	16	3.7
Cannon Mills	186.1	4.95	3.00	n.a.	n.a.	3.00	61 -44¾	57	5.2
Cluett Peabody	83.7	4.12	2.50	53.7	1.78	2.50	39¼-32½	37	6.7
Cone Mills	170.0	2.59	1.60	105.1	.67	1.20	23¾-19¼	22	7.2
Consol. Textile	18.3	.95	.45	20.4[3]	(d) .37[3]	.10[7]	8⅝- 7	8	....
Duplan Corp.	25.8	.28	.10	24.5[2]	.35[2]	.10	12⅝- 7	10	1.0
Gotham Hosiery	9.0	(d) 1.53	......	5.1	(d) 1.84	....	6¾- 4⅝	6	....
Kayser (J.) & Co.	19.4[6]	(d) .64[6]	......	n.a.[4]	(d) .38[4]	.25	20¼-12½	20	1.2
Lees (Jas.) & Sons	60.2	3.76	2.00	45.4	1.86	2.00	30¼-22	30	6.6
Lowenstein (M.) & Sons	180.4	2.65[5]	1.10[5]	203.9	1.82[5]	1.02[5]	23⅜-15⅛[5]	22[5]	4.6[5]
Pepperell Mfg. Co.	85.2[6]	4.91[6]	4.50	n.a.	n.a.	4.00	72 -60	69	5.7
Powdrell & Alexander	12.8	(d) 1.13	......	6.6	(d) 1.43	....	7 - 5⅜	7	....
Robbins Mills	Merged into Textron American, Inc.								
Reeves Bros. Inc.	53.8[6]	1.01[6]	1.20	8.4[4]	(d) .52[4]	1.05	18⅝-12⅛	14	7.5
Stevens (J. P.) & Co.	334.5	2.35	2.00	203.0	.56	1.50	30¼-22¼	27	5.5
Textron	Merged into Textron American, Inc.								
United Merch. & Mfg.	300.1[6]	1.74[6]	1.00	n.a.[4]	.52[4]	1.00	18 -11⅛	17	5.8
Van Raalte Co.	29.2	3.50	2.60	18.4	2.03	2.60	31⅞-28¼	31	8.3
Wyandotte Worsted Co.	19.5	.46	.40	n.a.	(d) .04	......	11¾- 6¼	10	....

(d)—Deficit.
n.a.—Not available.
1—6 months.
2—Year ended 9/30/54.
3—Year ended 8/31/54.
4—Quarter ended 9/30/54.
5—Based on new stock.
6—Year ended 6/30/54.
7—No further div. action.
Note: During the current year, Wamsutta Mills was merged into (M.) Lowenstein & Sons, while Pacific Mills and Goodall-Sanford were acquired by Burlington Mills Corp.



5 Companies With Exceptionally High Earnings

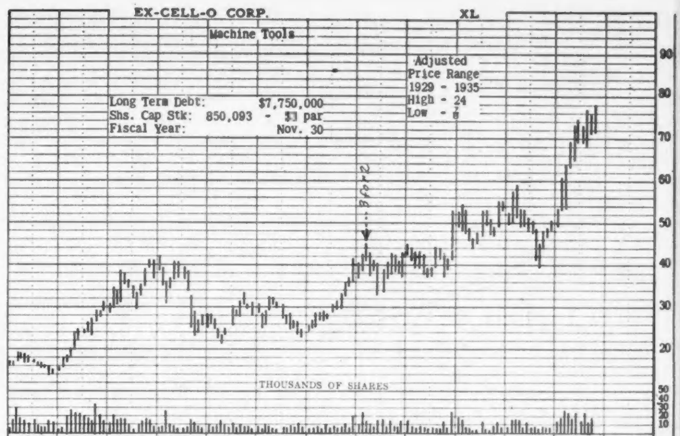
BY OUR STAFF

Last year, in the December 12 issue, in our familiar "thumb-nail" series, we featured five stocks which have been among the most outstanding in the 1954 stock market. These stocks were: Boeing: Firestone; Sherwin-Williams; Reynolds Metals; and Standard Oil of Indiana. Individuals in close touch with the market will immediately recognize that these issues, both individually, and in the aggregate fulfilled every expectation, both as to earnings and to appreciation. The record shows that the total gain for the five stocks was 196 points (at this writing).

In this issue, we have attempted to select another group of five stocks with prospects for maintenance in 1955 of their highly satisfactory 1954 earnings. Each of these companies is in an especially strong position. While it must be recognized that results entirely comparable to those obtained from last year's selections should not be expected in view of the fact that these issues are now selling at substantially higher levels than a year ago, nevertheless, on a comparative basis, they do not appear to have fully exhausted their market potentials and are, therefore, worthy of consideration.

We do not, of course, claim that each of the five companies selected in the present group will increase earnings in the coming year since such an estimate would not be possible at so early a stage. However, based on their current position and more or less immediate prospects, these companies should be able to turn in a performance in 1955 that should compare favorably with 1954.

Since the stocks selected are of a fairly dynamic character, the possibility of wide market fluctuations should be taken into consideration by the intending investor. As in all investment matters, moderation should be the watchword. The tables and charts are offered as useful appendages to the individual text.



1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	
3.89	3.57	3.52	2.02	3.49	4.17	5.51	5.56	6.97	8.16	7.05	E9.50		EARN.
1.73	1.73	1.30	1.73	1.73	1.73	1.73	2.43	2.00	*2.00	*2.00	*3.00		DIV.
6.2	6.9	8.9	6.3	6.5	7.2	6.6	6.4	13.7	17.0	18.1	Wkg Cap $ Mil		

* Plus Stk Div

EX-CELL-O CORPORATION

BUSINESS: From its inception in 1919 as a manufacturer of small tool details and parts, principally for the automotive industry, Ex-Cell-O, during the last 25 years and more, has diversified its activities to such an extent that its products include precision parts for the aircraft and other industries, machine tools and cutting tools for the automotive, aircraft and other metalworking fields, and is the developer and manufacturer of the Pure-Pak milk packaging machine and the Pure-Pak disposable paper milk carton.

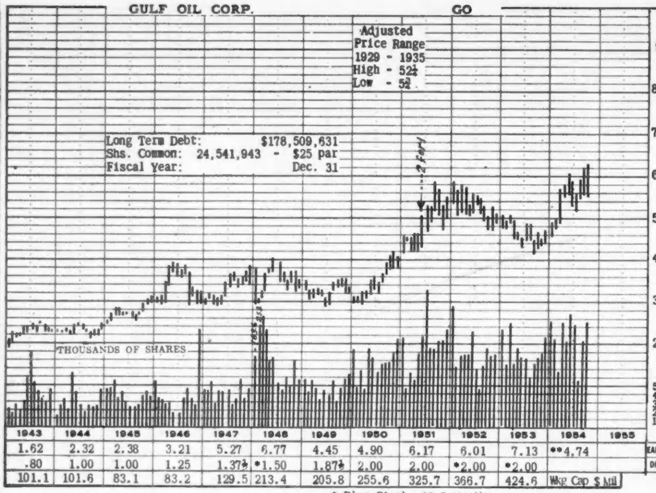
OUTLOOK: While its policy of prodct diversification has contributed substantially to growth, other factors accounting for the increasing stature of the company have been research, a stronger and more widespread sales organiation, and the greater geographical distribution of its products. Its progress along all these varied lines can be measured by the growth in sales and operating revenues from $19.3 million in 1946, the first full peacetime year, to $97.5 million in 1953. Over the same period, net earnings have risen from $1.2 million, equal to $1.57 a share, last year's record $6 million, or $7.76 a share. Operations in the fiscal year ended November 30, last, are certain to establish another new high in net income that is estimated to approach and possibly exceed $10 a share for the 850,055 shares of capital stock presently outstanding, having been increased by a 10% stock dividend distributed last April. This estimate may prove conservative, inasmuch as it allows for a possible drop in machine tool sales in the final three months which should be cushioned to some extent by sustained volume of aircraft precision parts and the flow of revenues from leased Pure-Pak packaging machines the installation of which are on a rental basis and steadily growing.

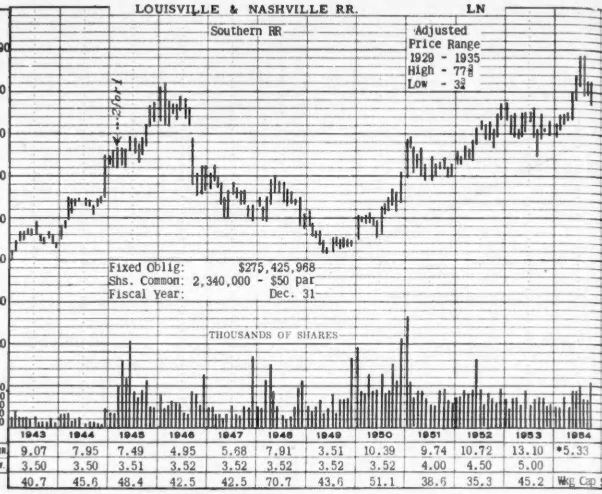
DIVIDENDS: Payments made in each year since 1936 have been held to a modest annual sum, especially in the last two years in order to conserve cash for the development of the business, especially the steady expanding Pure-Pak division. Shareowners, however, have received 10% in stock in each of the last three years, the 1954 distribution supplementing the regular $2.00 annual rate, plus 50 cents extra.

MARKET ACTION: Recent price of 76½, compares with a 1953-54 price range of High—81, Low—35⅞ (adjusted for stock dividend). At current price, the yield on basis of $2.50 annual cash dividend rate is 3.2%.

COMPARATIVE BALANCE SHEET ITEMS

	November 30 1944	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 10,546	$ 6,395	—$ 10,151
Receivables, Net	4,196	9,433	+ 5,237
Inventories	7,617	18,806	+ 11,189
Other Current Assets		512	+ 512
TOTAL CURRENT ASSETS	22,359	35,146	+ 12,787
Net Property	2,680	24,137	+ 21,457
Intangibles	673	864	+ 191
Other Assets	1,663		— 1,663
TOTAL ASSETS	$ 27,375	$ 60,147	+$ 32,772
LIABILITIES			
Notes & Accounts Pay.	$ 6,601	$ 7,539	+$ 938
Accruals	3,101	656	— 2,445
Tax Reserve	5,719	8,805	+ 3,086
TOTAL CURRENT LIABILITIES	15,421	17,000	+ 1,579
Other Liabilities	189	600	+ 411
Reserves	950	2,410	+ 1,460
Long Term Debt		7,750	+ 7,750
Capital Stock	1,196	2,318	+ 1,122
Surplus	9,619	30,069	+ 30,450
TOTAL LIABILITIES	$ 27,375	$ 60,147	+$ 32,772
WORKING CAPITAL	$ 6,938	$ 18,146	+$ 11,208
CURRENT RATIO	1.4	2.0	+ .6





GULF OIL CORPORATION

BUSINESS: AS one of the great petroleum companies of the world, and occupying a dominant position in the industry. Vast reserves are held in many producing centres, notably in Kuwait on the Persian Gulf, as well as some of the most important producting areas in the Mid-continent of the U.S. and in California. Refining capacity and pipelines are constantly being added to. Also possesses immense natural gas reserves, and has important interests in sulphur.

OUTLOOK: The company has consistently followed a policy of ploughing back a large part of earnings into new plant, property and equipment. Through financing capital requirements by utilization of internal financial resources, the company has avoided an increase in the long-term debt. This policy has also been facilitated through appropriate charaes for depreciation and depletion. The fruits of this long-range policy will undoubtedly materialize in the form of an eventual substantial reduction of the long-term debt which has been in process for several years. Despite heavy income taxes, and capital expenditures, Gulf has materially increased its working capital which, in 1955, at the recent rate of growth, should come close to $500 million. In 1953, earnings reached a peak of $7.13 a share. Based on the first half 1954 report showing $3.18 a share, it appears that the company has this year duplicated the 1953 earnings record. After the 1951, two-for-one split, the company has supplemented the $2 cash dividend with payments of 4% in stock. With respect to the ratio of market price to earnings, Gulf oil stock sems under-priced, as compared with some other oils of similar grade. The release of Iranian oil to world markets will have no appreciable effect on the company's over-all position. Prospects are for maintenance of a highly satisfactory level of earnings next year.

DIVIDENDS: Regular dividend of $2 a share, and 4% in stock. The policy of cash and stock dividends will probably be continued in preference to an increase in the cash rate.

MARKET ACTION: Recent price of 64, compares with a 1953-54 price range of High—60½, Low—45⅞. Including the 4% stock dividend at current prices, the yield is 7.3%; on a cash dividend basis, the yield is 3.3%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953	Change
		(000 omitted)	
ASSETS			
Cash	$ 45,368	$ 84,980	+$ 39,612
Marketable Securities	9,971	292.599	+ 282,628
Receivables, Net	55,910	179,786	+ 123,876
Inventory & Supplies	65 878	177,281	+ 111,403
TOTAL CURRENT ASSETS	177.127	734,646	+ 557,519
Net Property	405,912	890,538	+ 484,626
Invest., adv., etc.	26.887	128,941	+ 102,054
Other Assets	9,541	11,622	+ 2,081
TOTAL ASSETS	$619,467	$1,765,747	+$1,146,280
LIABILITIES			
Curr. Debt Matur.	$ 3,000	$ 3,282	+$ 282
Accounts Payable	40,630	149,562	+ 108,932
Accruals & Tax Res.	31,860	157,158	+ 125,298
TOTAL CURRENT LIABILITIES	75,490	310,002	+ 134,512
Other Liabilities	66,234	36.019	— 30,215
Reserves	21,139	24,852	+ 3,713
Long Term Debt	48,443	178,510	+ 130,067
Capital Stock	226,905	613,548	+ 386,643
Surplus	181,256	602.816	+ 421,560
TOTAL LIABILITIES	$619,467	$1,765,747	+$1,146,280
WORKING CAPITAL	$101,637	$ 424,644	+$ 323,007
RURRENT RATIO	2.3	2.3	

LOUISVILLE & NASHVILLE RAILROAD CO.

AREA SERVED: The L. & N., together with its affiliated lines, constitutes a rail system extending from Cincinnati and St. Louis southward through the southeastern states which embrace extensive agricultural, mining, commercial and steadily expanding industrial centers.

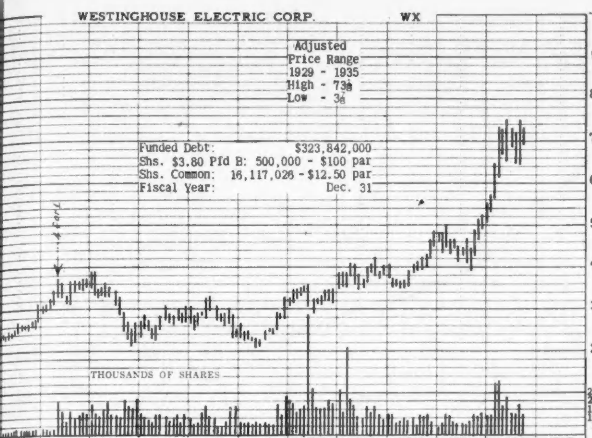
OUTLOOK: The Louisville & Nashville has a long and impressive record of profitable operations. In the 10 years to the end of 1953, net earnings on the common stock—there is no preferred—averaged $8.14 a share, with net for 1953 being equal to $13.10 a share on the 2,340,000 outstanding shares, 35 per cent of which is owned by the Atlantic Coast Line. Freight revenues nd earnings in the postwar era have been in an accelerated uptrend as a result of the rapid increase of industrial activity in the territory which has broadened the road's traffic base and has been a large factor in in the road's 1953 showing. Earnings for the current year, however, will be short of both these marks, the principal factors being a decline of about 17 per cent in revenues, a drop in other income, and expenses incurred in a heavy program of road and bridge maintenance. The immediate outlook warrants expectation of a reversal of this downtrend and the longer term prospects are that L. & N., should be able to earn at a rate equal to or above the last nine year, including 1954, average. A good foundation for this trend has been laid through the expenditure of more than $278 million since 1946 for dieselization, centralized traffic control, and numerous other improvements, including the new Radnor hump classification yard which was completed only last September. The road has strong finances. As of Sept. 30, last, net current assets of $55.8 million were made up in part by cash and temporary cash investments totaling $42.1 million.

DIVIDENDS: In only one year (1933) of the last 67 years has L. & N. failed to pay a dividend. In 1953 and again in 1954, the regular $4 annual dividend rate was augmented by a year-end extra of $1 a share.

MARKET ACTION: Recent price of 82½ compares with a 1953-54 price range of High—84½, Low—55. At current price, the yield, based on $5 dividend rate, is 6%.

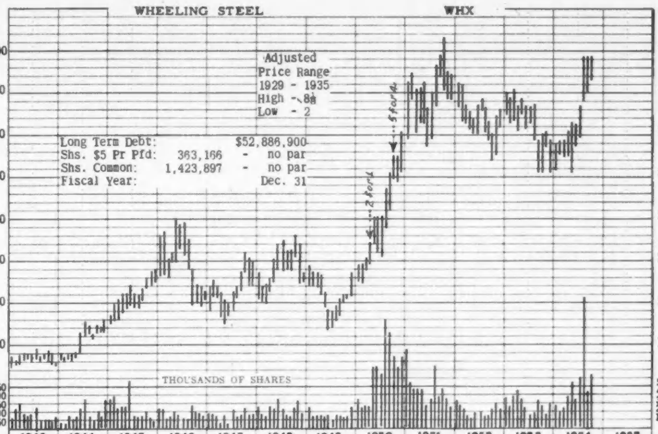
COMPARATIVE BALANCE SHEET ITEMS

	December 31 1945	June 30 1954	Change
		(000 omitted)	
ASSETS			
Cash & Marketable Securities	$ 53,348	$ 40,890	—$ 12,458
Receivables, Net	15,263	20,300	+ 5,037
Materials & Supplies	12,462	18,084	+ 5,622
Other Current Assets	17,873	1,616	— 16,257
TOTAL CURRENT ASSETS	98,946	80,890	— 18,056
Road & Equipment	488,809	674,501	+ 185,692
Donations & Grants	(CR) 4,061	(CR) 4,550	+ 489
Accrued Deprec. & Amort.	(CR) 145,021	(CR) 171,613	+ 26,592
Investment & Funds	29,489	40,445	+ 10,956
Other Assets	4,722	7,068	+ 2,346
TOTAL ASSETS	$472,884	$626,741	+$153,857
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 50,474	$ 24,472	—$ 26,002
Other Liabilities	1,258	2,140	+ 882
Other Unadjusted Credits	11,198	5,556	— 5,642
Long Term Debt	176,395	274,877	+ 98,482
Common Stock	117,012	117,012	
Surplus	116,547	202,684	+ 86,137
TOTAL LIABILITIES	$472,884	$626,741	+$153,857
WORKING CAPITAL	$ 48,472	$ 56,418	+$ 7,946
CURRENT RATIO	1.9	3.3	+ 1.4



	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955
EARN.	1.94	2.03	.65	3.58	3.88	4.95	5.36	4.03	4.23	4.53	*3.77	
DIV.	1.00	1.00	1.00	1.25	1.25	1.40	2.00	2.00	2.00	2.00	2.50	
	205.6	245.4	331.2	392.0	399.9	419.5	455.8	455.2	553.2	629.7	Wkg Cap $ Mil	

* 9 months



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955
EARN.	1.78	1.81	1.50	2.50	6.91	9.30	4.27	11.59	10.96	6.43	7.49	*3.48	
DIV.	.60	.60	.30	.60	.80	.90	1.60	1.60	3.00	3.00	3.00	3.00	
	45.9	48.9	51.1	48.2	53.5	56.3	52.1	62.4	78.7	76.3	64.3	Wkg Cap $ Mil	

WESTINGHOUSE ELECTRIC CORPORATION

BUSINESS: Westinghouse, one of the largest electrical equipment manufacturers, also produces a widely diversified line of apparatus and industrial products, a complete range of household appliances, as well as electronic equipment, aircraft devices, commercial products, incandescent and fluorescent lamps, elevators and escalators, motors, heating and ventilating and air conditioning equipment. It is an important supplier of defense needs and holds a foremost position in the development of nuclear reactors.

OUTLOOK: Again, as in each of the nine years from 1946, Westinghouse Electric's 1954 indicated sales continue the uptrend which has carried its dollar volume of products and services sold from $377.9 million in the earlier year to a record high of $1,582 million in 1953, and to an estimated new peak of $1,621 million in 1954. Actual figures for the first nine months of the current year show sales of $1,213 million, a gain of 4.3% over sales of $1,163 million for the corresponding months of the previous year. Net income, on the other hand, aided by the demise of EPT, increased 15.6% to $62.6 million, equal to $3.77 a share for the common stock, from $53.2 million, or $3.26 a share for the first nine months of 1953. A conservative estimate would place 1954 full year's net for the common stock at $5.00 a share, after allowing for flood damage at the East Pittsburgh plant last October, cutting billings sharply. For the full 1953 year, net income of $74.3 million was equal to $4.53 a common share. Westinghouse, although it expects a slight temporary recession in heavy equipment billings in the first half of next year, is preparing to meet a step-up in the volume of new orders in 1955, especially in consumer and light industry lines and at the same time strengthen its already strong base in view of the long-range outlook for its business which, in common with the entire electrical industry, is expected to continue to grow at double the rate of industry in general. As part of its program, it is already in the second phase of expansion since the war and when completed in 1955 at a cost of about $300 million, will increase productive capacity by 50 per cent.

DIVIDENDS: Payments, made in each year since 1935, were maintained at an annual rate of $2 a share since 1950, and supplemented in 1954 by an extra of 50 cents.

MARKET ACTION: Recent price of 76¼, compares with a 1953-54 price range of High—79, Low—39½. At current price, the yield on $2.50 annual rate is 3.2%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 omitted	Change
ASSETS			
Cash	$ 96,948	$ 49,975	+$ 46,973
Markeable Securities	62,300	170,383	+ 108,083
Receivables, Net	105,898	205,047	+ 99,149
Inventories	122,400	372,627	+ 250,227
Other Current Assets	4,444	31,563	+ 27,119
TOTAL CURRENT ASSETS	391,990	829,595	+ 437,605
Net Property	80,524	285,498	+ 104,974
Invest, Funds, etc.	26,850	130,466	+ 103,616
Other Assets	21,327	19,794	— 1,533
TOTAL ASSETS	$520,691	$1,265,353	+$744,662
LIABILITIES			
Notes & Accounts Payable	$ 56,276	$ 56,955	$ 679
Accruals	6,036	66,977	+ 60,941
Taq Reserve	124,077	75,938	— 48,139
TOTAL CURRENT LIABILITIES	186,389	199,870	+ 13,481
Other Liabilities	834	7,814	+ 6,980
Reserves	46,726	36,994	— 9,732
Funded Debt	20,000	323,842	+ 303,842
Preferred Stock	3,999	50,000	+ 46,001
Common Stock	156,329	199,816	+ 43,487
Surplus	106,414	447,017	+ 340,603
TOTAL LIABILITIES	$520,691	$1,265,353	+$744,662
WORKING CAPITAL	$205,601	$ 629,725	+$424,124
CURRENT RATIO	2.0	4.1	+ 2.1

WHEELING STEEL CORPORATION

)**BUSINESS:** One of the smaller but solidly built steel companies, specializing in light steels. Company's facilities have been thoroughly remodernized since the end of World War II. Now in an improved position to take advantage of higher sales owing to better cost control.

OUTLOOK: In common with other steel companies, sales fell off during 1954 but because of a very sharp drop in taxes, net per share for the full year was not too far off those of 1953. Earnings for 1954 are estimated at about $6 a share, compared with $7.49 a share the previous year. Since 1946, the company has expended for new facilities of all kinds, including raw material sources, probably close to $160 million and has accomplished the purpose of the far-flung expansion program laid down when the war ended. At the present time, Wheeling Steel possesses an excedingly efficient organiation, in addition to its new, efficient physical resources. With the current increase in steel operations quite likely to run well into 1955, the net operating margin should increase rapidly, and should reach a level close to that of 1953 when the net profit margin was 9.9%. Lapse of EPT, which had its effect in cushioning this year's drop in profits, should have an even more pronounced effect next year, when sales will be higher. On the basis of known conditions and prospects in sight, Wheeling can probably earn close to $7.50 a share in 1955, assuming operations for the industry do not decline below 75%. In 1950, earnings were $11.59 a share; in 1951, $10.96; in 1952, $6.44 and in 1953, $7.49. This demonstrated high earning power under varying conditions in the steel industry attests the underlying strength of the company.

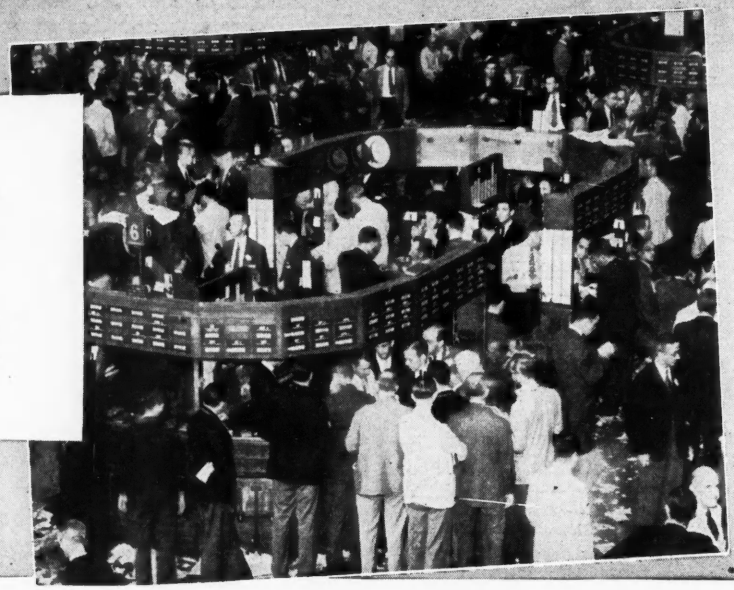
DIVIDENDS: The company pays a dividend of $3 a share. While a higher dividend probably could be justified, in view of still continuing capital requirements, it is more likely that the management will prefer retaining as much as possible from earnings, holding the rate to present levels.

MARKET ACTION: Recent price of 47 compares with a 1953-54 price range of High—49⅞, Low—30⅛. At the current price, the yield is 6.3%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 omitted	Change
ASSETS			
Cash & Marketable Securities	$ 18,058	$ 10,831	—$ 7,187
Receivables, Net	8,911	11,248	+ 2,337
Inventories	32,305	61,496	+ 29,191
Other Current Assets	364	130	— 234
TOTAL CURRENT ASSETS	59,638	83,705	+ 24,067
Net Property	70,257	136,507	+ 66,250
Invest., Advance, etc.	3,235	12,791	+ 9,556
Other Assets	2,754	1,182	— 1,572
TOTAL ASSETS	$135,884	$234,185	+$ 98,301
LIABILITIES			
Current Debt Matur.	$ 1,200	$ 948	—$ 252
Accounts Payable	4,105	8,645	+ 4,540
Accruals	1,183	7,918	+ 6,735
Tax Reserve	4,175	1,876	— 2,299
TOTAL CURRENT LIABILITIES	10,663	19,387	+ 8,724
Reserves	2,421	8,394	+ 5,973
Long Term Debt	31,200	52,887	+ 21,687
Minority Interest	....	436	+ 436
Preferred Stock	36,317	35,805	— 512
Common Stock	29,188	37,021	+ 7,833
Surplus	26,095	80,255	+ 54,160
TOTAL LIABILITIES	$135,884	$234,185	+$ 98,301
WORKING CAPITAL	$ 48,975	$ 64,318	+$ 15,343
CURRENT RATIO	5.6	4.4	— 1.2

FOR PROFIT AND INCOME



Groups

Taking the whole phase of market advance begun shortly before the Congressional election, the rail list has advanced most, utilities least, with the industrial section "in between". Stock groups which have risen considerably more over this period than the industrial average include aircraft, building materials, chemicals, coal, proprietary drugs, finance companies, machinery, metal fabricating, office equipment, paper, radio-TV, steel, textiles and tires. On the same comparison, groups which are up materially less than average are autos, liquor, oil, air lines, movies.

Cash Earnings

There is some confusion among investors on "cash earnings" as a factor in evaluating common stocks. Such "earnings" consist of profit per share, as reported to stockholders, plus per-share charges for depreciation, depletion and accelerated amortization. The latter are deductions from income before taxes, and tend to swell the inflow of cash. However, depreciation and depletion are normal business expenses — not profit. Cash generated thereby will be used mostly for debt reduction or other corporate purposes. On the other hand, accelerated amortization (five-year write-offs of portions of certain facilities under Federal certificates of necessity issued during the defense-emergency period) can add to earning power, after completed write-offs, to the extent of the per-share charge, less future taxes. Hence, other things being equal, the indicated increment to future earnings is roughly half of annual average five-year accelerated amortization. In many instances, the latter per-share figure is nothing to get unduly excited about. However, in a few, especially among steels, it is of considerable importance.

Chemicals

As commonly used, "cash earnings" of most chemical companies look very impressive. But there are two flies in the ointment: (1) Few companies reveal AA, most lumping it in with normal depreciation and depletion, and (2) heavy capital outlays are continuing. You can count on long-term growth of earnings and dividends, but that has always been so and the stocks are pretty liberally priced on prospects for a goodly time to come. Where AA figures are available, the indicated per share "kicker" therein is usually moderate. Here are some current-year estimates: Dow Chemical, net about $1.25 a share, half of AA roughly 70 cents a share, total less than $2 a share; stock priced at 44. Allied Chemical: net about $5 a share, half of AA roughly 90 cents, total $5.90, stock priced at 98. Union Carbide: net around $3, half of AA roughly 70 cents, total $3.70, stock priced at 86 on a $2.50 dividend basis, and far from cheap. Dow is on a $1 dividend, yielding less than 2.3%; Allied Chemical on a $3 dividend, yielding a shade over 3%. Current yield on Carbide is only about 2.9%.

Air Lines

Because of fast obsolescence,

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
General Amer. Transportation	Quar. Sept. 30	$1.29	$ .81
Pitney-Bowes Inc.	Quar. Sept. 30	.63	.34
Twin Coach Co.	Quar. Sept. 30	1.07	.19
Boeing Airplane Co.	9 mos. Sept. 30	8.38	4.18
Bell Aircraft Corp.	9 mos. Oct. 2	4.68	2.53
Bell & Howell Co.	Quar. Sept. 30	1.12	.68
New York City Omnibus	9 mos. Sept. 30	2.13	.74
Foster Wheeler Corp.	9 mos. Sept. 30	5.61	2.50
Halliburton Oil Well Cement	Quar. Sept. 30	1.23	.81
McGraw Electric	9 mos. Sept. 30	8.04	5.09

new planes are depreciated in five years for income tax accounting; and in from four to seven years, varying with individual companies, in deducting charges before earnings reported to shareholders. As a result, indicated cash earnings far exceed reported net, and are impressive in many cases. The latter include American, Eastern, United, Delta, National, Pan American and TWA. Since new buying of propeller planes is trending down, more cash is available for paying off debt, building up working capital or supporting dividends. There have been moderate dividend boosts in a few cases; but no bonanza for stockholders is indicated. The lull in "technological change" will not be a long one. There is already some active interest in turboprop planes, and jet transports may not be more than a few years ahead. In short, the industry needs to retain the bulk of earnings and build up cash for later capital needs. The stocks look a bit on the high side, although speculation might take them still higher.

Divergence

Although rail stocks tend to move more together than industrials, divergence can nevertheless be wide. At one end, for example, Allegheny has risen about 121% to date since shortly before the election; at the other extreme, Hudson & Manhattan, now seeking reorganization in bankruptcy, declined over 6% net for this period. With comparatively few exceptions, the biggest gains on this price swing so far have been in speculative rails. Some examples: Baltimore & Ohio, Central of New Jersey, Delaware, Lack. & Western, Erie, New York Central, St. Paul, Nickel Plate, Northern Pacific, Pittsburgh & West Virginia. Better-grade rails which have been meeting with relatively strong demand include Atlantic Coast Line, Illinois Central, Seaboard Air Line, and Southern.

Central

Anticipating transfer of New York Central to the management of the Young interests, the stock rose from around 18-19 late in 1953 to an early-1954 high of 26. By late October, reflecting poor earnings, all of the rise had been given up. On the post-election advance in rails, however, the issue has "gone to town", recently reaching 29¾, highest level since 1946, when it got to 35¾. Prior to recent rise, the tops in the stock had been in the 23-26 zone for four years. The break-out might have considerable technical significance. On a long-term basis, Central has had a mighty fall, reflecting sub-average growth of traffic (common to eastern trunk lines), truck competition and various other problems. The road earned $16.70 a share back in 1929, paid an $8 dividend, and the stock sold as high as 256½. For some years now, earnings have been very erratic, dividends irregular. In 1953 profit was $5.27 a share, best since 1944, the dividend $1. Net for 1954 may not exceed 50 cents a share. However, the situation is improving. Mr. Young recently stated that profit in 1955 might possibly reach $4 to $5 a share, and that he would recommend to directors, at the January meetings, placement of the stock on a regular $2 dividend basis. As was demonstrated during its control of Chesapeake & Ohio, Young management has no magical solution for all railroad problems. But it is a stock-minded management, and it has far more opportunity with Central to do a variety of things, promising improvement in results, than it had with C. & O.

The stock is speculative and can react. However, there is now more to be said for holding it or buying than for selling.

Small-Loan Stocks

The leading small-loan stocks—Household Finance and Beneficial Loan—have for some years been excellent investments. The latter has been repeatedly recommended here. However, both stocks have been over-exploited, aided by split news, and may need fairly long periods of consolidation. Beneficial recently ran up to over 58 on announcement of a proposed split of two and a half shares for one and has since reacted to 53½ at this writing. It is uncertain that the split shares will carry more than a $1 dividend rate, equal to $2.50 on the present shares, against current rate of $2.40. On this assumption, current yield is less than 4.7%. Household Finance was split two for one in October. The stock ran up to 36⅜, subsequently reacting to around 29 at this writing. It is priced on a current yield of about 4.1% from a $1.20 dividend. Probably some of the relatively conservative demand which previously favored these stocks, will increasingly "spill over" into stocks of the "smaller-small-loan" companies. Three such are American Investment and Seaboard Finance, each with loan volume over $200 million, and Family Finance, with loan volume over $150 million. American Investment is at 30, with present earning power around $2.30 a share, yielding over 5.3% on a $1.60 dividend. Seaboard is at 31, with net around $2.15 a share, paying $1.80 to yield 5.8%. Family Finance is at 24, with earnings around $2.20, yielding 5.8% on a $1.40 dividend. On relative conservatism of the dividend and of capitalization, the stock appears to be the most attractive of the three.

Telephone

In American Telephone you have no chance for a higher dividend, but maximum assurance of continuing payments at the $9 rate. There is a steady stream of big and little investment money into the stock, which is the most widely held of all equities. With electric utilities on an average yield basis around 4.7%, Telephone appears to be at least moderately under-valued at 174, yielding about 5.2%. —END

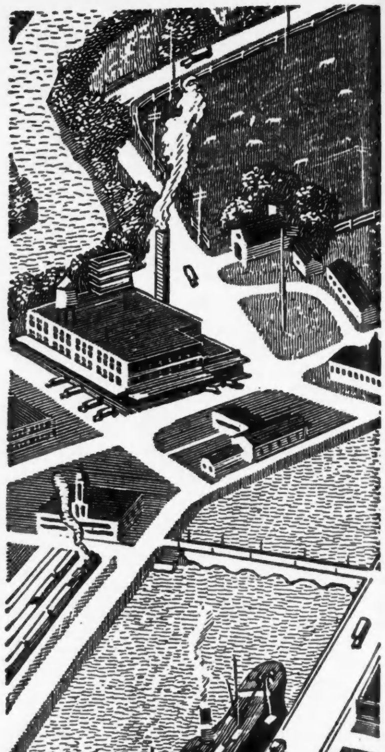
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
Westinghouse Air Brake	Quar. Sept. 30	$ .04	$ .53
Mack Trucks, Inc.	9 mos. Sept. 30	.39	1.27
People Gas Lt. & Coke	Quar. Sept. 30	.65	1.35
Anaconda Wire & Cable	9 mos. Sept. 30	4.10	5.92
American Locomotive Co.	Quar. Sept. 30	.35	1.00
Georgia-Pacific Plywood	Quar. Sept. 30	.01	.08
Int. Mineral & Chemical	Quar. Sept. 30	.20	.41
Lion Oil Co.	Quar. Sept. 30	.49	.71
Mid-Continent Petroleum	Quar. Sept. 30	1.40	1.86
Clevite Corp.	Quar. Sept. 30	.15	.38

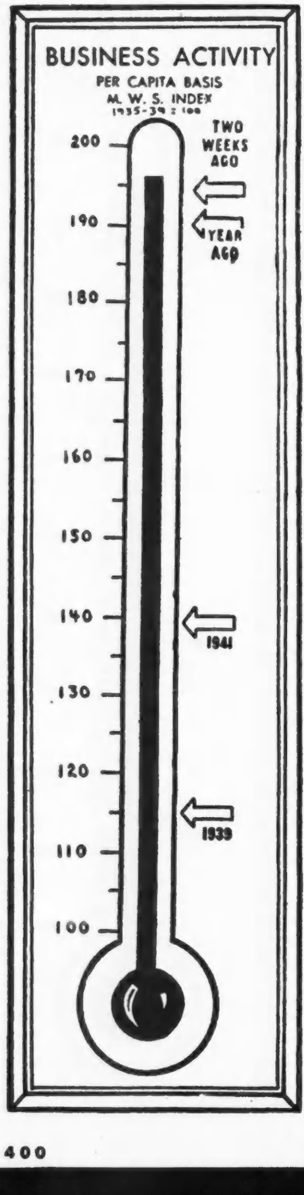
The Business Analyst

What's Ahead for Business?

By E. K. A.



The sharp improvements in standards of living both here and abroad since the end of the war have accounted in large measure for the sustained strength in general business activity, long beyond the time that postwar booms have run in the past. It is most interesting to note that even the Iron Curtain countries, most probably to counter the influence of rising standards in the Free World, recently have devoted increasing attention to improving the lot of their own people.



The improvement in the standard of living here in the United States is readily recognizable but is less evident in some of the more backward countries abroad. American tourists, for instance, evince no surprise that natives in tropical countries are wearing shoes every day whereas, before the war, these same natives—if they owned shoes at all—wore them only on Sundays and festive occasions.

In numerous subtle ways that are not apparent to us, living standards are rising throughout the world. Our difficulty in appreciating this is due in large measure to the fact that numerous consumer goods that we regard as necessities still are in the luxury class abroad. We seldom stop to appreciate that numerous goods and services, such as automobiles and telephones, were in the luxury class here no longer ago than the World War I period.

Some economists attribute the fact that business abroad has continued to rise during the past year and a half, while it slowed down here, almost entirely to the great strength behind the rising standard of living abroad.

Consumer desires abroad have been whetted, as here, through the cinema, television, and radio. Although, even in the most advanced European countries, living standards are much lower than in the United States, the gains in recent years have been notable. For many years, of course, the trend of living standards has been upwards although the Long Depression of the Thirties and World War II had the effect of checking the rise. During the past few years, it would appear that both here in the United States and in most foreign countries people have been endeavoring to make up for lost time.

To no inconsiderable extent, the sharp gains in living standards have reflected the increases in productivity both in industry and agriculture. Improvement here in industrial productivity has been readily apparent, of course. But that in agriculture has been even more remarkable. In the United States, the man-hour productivity of agricultural workers now is double that in 1935-1939. Despite the sharp increases in population in recent years, food supplies have expanded more rapidly than the numbers of people. There have been no food shortages and, despite the inflated price level, the cost of food is lower in terms of the labor required to purchase it than was the case prior to the war.

Most products of industry also are lower in terms of labor value. There are great differences from one country to another, of course, and many goods that our factory workers consider as necessities are completely out of the range of factory workers in the most advanced European countries. But abroad, as in the United States, industrial and agricultural labor is sharing in the increased productivity through higher living standards.

Not too much attention has been given by many business men and investors to the impact of increased productivity and rising living standards throughout the world. It is apparent, however, in the light of these important factors, that our post World War II economy is on a much sounder basis throughout most of the world than in the post World War I period.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—Underwriters of municipal obligations are discovering that there is not going to be much rest for the weary this year. Ignoring the traditional lull in activity associated with the approach of the Christmas season, state and local authorities are queueing up this month for a borrowing drive that may net them over $1 billion before the old year is over. This would bring sales of tax-exempts for all of 1954 to $7 billion, way ahead of the $4.8 billion that municipalities borrowed in 1953. Revenue bonds, understandably popular with public officials who find them a convenient means of financing public works without burdening their community's credit position, are proving to be the main vehicle of December offerings. Major issues of this type that have already been consummated this month include $50 million New York State Thruways, $46 million Greater New Orleans Expressways and $68 million Oklahoma turnpikes. Even bigger flotations are in the immediate offing with the New York State Power Authority planning to borrow $335 million to finance hydroelectric development and Chicago's Calumet Skyway readying an $88 million issue for December 12, to be used in connecting that city with the Indiana border.

The outpouring of tax-exempt obligations has not received any rousing reception from investors. Offered a wide choice of wares, buyers can afford to pick and choose, with the result that market congestion is becoming visible. Clearly indicative of this situation was the 3 point drop in a recent State of Massachusetts issue when the offering syndicate disbanded after six weeks of trying to market the bonds without encountering much demand. Some underwriters have been deterring prospective borrowers from trying to fill all their needs in one lump sum, a case in point being the experience of the Oklahoma turnpike officials. Coming to market for $214 million to build three extensions to the Turner Turnpike, linking Tulsa with Oklahoma City, they had to be satisfied with only $68 million for one extension, and that at a 3.81% interest cost. Other issuers have also found that costs are rising and even seasoned tax-exempts have been affected, with the Bond Buyer's index of yields on such bonds rising to 2.35% on December 9, from 2.31% two weeks earlier.

The pressure on tax-exempts has not greatly affected other sections of the bond list and long-term Treasuries have been firm in the two weeks ending December 14, while high-grade corporate obligations have given ground grudgingly. Medium-grade bonds have put in a good performance, with investors displaying interest in the higher yields available in this sector.

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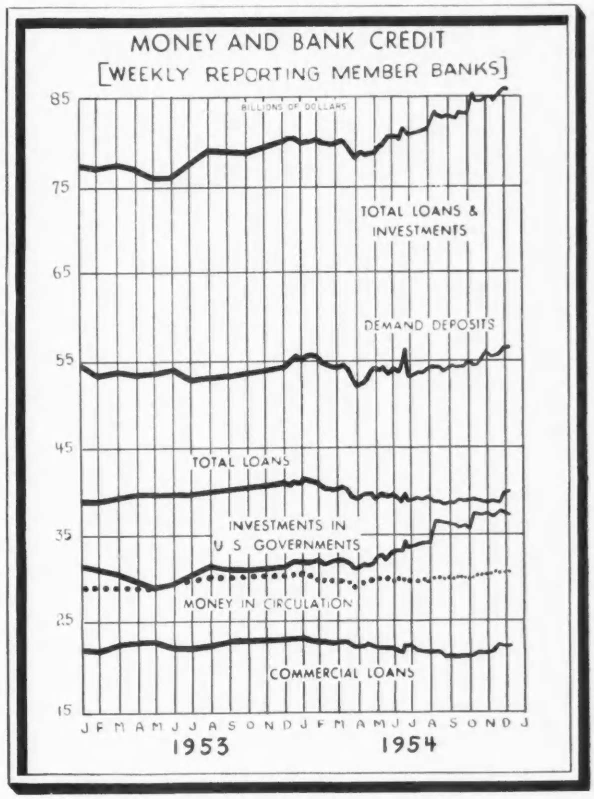
TRADE—Consumers were in a buying mood last month and retail sales, after seasonal adjustment, were up 2% from October and the same percentage ahead of last year, according to preliminary estimates from the Commerce Department. Major cause of the strong November tone was a sharp boost in demand for autos which accompanied introduction of the 1955 models. Furniture and appliance stores also noted improved volume for their products.

Dollar sales of department stores, which had been lagging earlier in the year, have improved lately and for the week ending December 4 they racked up a 1% gain over a year ago. Best showing was made by the Atlanta district with a 9% year-to-year advance, while the Dallas and Kansas City areas were in second place, 7% ahead of a year ago. Poorest results were in the Cleveland area where sales were down 4% from last year.



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INDUSTRY—Industrial output is still rising as December gets under way and the seasonally adjusted MWS Business Activity Index rose to 196.2 in the week ending December 4, from 195.0 the previous week and 193.1 a month ago. Better than seasonal improvement in the latest week was turned in by coal production, output of electric power, lumber shipments and steel operations. Slight declines were noted for crude oil runs to stills and for output of paperboard.

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COMMODITIES—Spot commodity prices worked lower in the two weeks ending December 10 and the Bureau of Labor Statistics' index of 22 active commodities declined 1% during the period to close at 89.8% of the 1947-1949 average.

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Sept.	3.1	3.2	4.0	1.6
Cumulative from mid-1940	Sept.	564.1	561.0	518.0	13.8
FEDERAL GROSS DEBT—$b	Dec. 7	278.8	278.9	275.0	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Dec. 1	56.4	56.3	54.4	26.1
Currency in Circulation	Dec. 8	30.7	30.5	30.9	10.7
BANK DEBITS—(rb3)**					
New York City—$b	Sept.	57.3	67.0	55.4	16.1
344 Other Centers—$b	Sept.	95.1	97.1	94.7	29.0
PERSONAL INCOME—$b (cd2)	Oct.	285.9	286.6	287.8	102
Salaries and Wages	Oct.	196	195	199	99
Proprietors' Incomes	Oct.	47	49	48	23
Interest and Dividends	Oct.	25	24	24	10
Transfer Payments	Oct.	16	16	15	10
(INCOME FROM AGRICULTURE)	Oct.	14	16	15	3
POPULATION—m (e) (cb)	Oct.	163.2	162.9	160.4	133.8
Non-Institutional, Age 14 & Over	Oct.	116.5	116.4	115.4	101.8
Civilian Labor Force	Oct.	64.9	65.2	63.9	55.6
Armed Forces	Oct.	3.3	3.3	3.5	1.6
unemployed	Oct.	2.7	3.1	1.3	3.8
Employed	Oct.	62.1	62.1	62.6	51.8
In Agriculture	Oct.	7.2	7.5	7.1	8.0
Non-Farm	Oct.	54.9	54.6	55.5	43.2
Weekly Hours	Oct.	41.4	38.0	42.4	42.0
EMPLOYEES, Non-Farm—m (lb)	Nov.	48.7	48.6	49.9	37.5
Government	Nov.	6.9	6.9	6.7	4.8
Trade	Nov.	10.7	10.6	10.8	7.9
Factory	Nov.	12.7	12.7	13.5	11.7
Weekly Hours	Nov.	40.1	39.9	40.0	40.4
Hourly Wage (cents)	Nov.	1.82	1.81	1.79	77.3
Weekly Wage ($)	Nov.	72.98	72.22	71.60	21.33
PRICES—Wholesale (lb2)	Dec. 7	109.3	109.5	110.1	66.9
Retail (cd)	Sept.	208.2	209.0	210.3	116.2
COST OF LIVING (lb2)	Oct.	114.5	114.7	115.4	65.9
Food	Oct.	111.8	112.4	113.6	64.9
Clothing	Oct.	104.6	104.3	105.5	59.5
Rent	Oct.	129.0	128.8	126.8	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Oct.	14.1	14.2	14.0	4.7
Durable Goods	Oct.	4.7	4.8	5.0	1.1
Non-Durable Goods	Oct.	9.4	9.4	9.0	3.6
Dep't Store Sales (mrb)	Oct.	0.86	0.81	0.84	0.34
Consumer Credit, End Mo. (rb)	Oct.	29.0	28.9	28.6	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Oct.	24.0	24.5	22.2	14.6
Durable Goods	Oct.	11.5	11.7	9.7	7.1
Non-Durable Goods	Oct.	12.5	12.8	12.5	7.5
Shipments—$b (cd)—Total**	Oct.	23.4	23.6	25.0	8.3
Durable Goods	Oct.	10.8	10.9	12.4	4.1
Non-Durable Goods	Oct.	12.6	12.7	12.6	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Oct.	77.5	77.8	81.8	28.6
Manufacturers'	Oct.	43.8	43.7	47.0	16.4
Wholesalers'	Oct.	11.7	11.7	12.0	4.1
Retailers'	Oct.	22.0	22.4	22.7	8.1
Dept. Store Stocks (mrb)	Oct.	2.5	2.5	2.5	1.1
BUSINESS ACTIVITY—1—pc	Dec.	196.2	195.0	190.1	141.8
(M. W. S.)—1—np	Dec.	245.3	243.8	233.6	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 401)
Weakest component of the index was raw foodstuffs which fell 1.4% in the two-week period. Industrial commodities were down 0.7%, while metals and textiles each lost 1.2%. Fats and oils bucked the trend, adding 0.6% during the two-week interval.

* * *

Business outlays for **NEW PLANT AND EQUIPMENT** will continue to decline in the first quarter of 1955, according to a joint survey made in November by the Commerce Department and the Securities & Exchange Commission. On a seasonally adjusted basis, spending for this purpose in the January-March period will amount to $26.0 billion at annual rates, down from $26.6 billion in the current quarter and $27.8 billion in the first quarter of 1954. Capital spending by most types of businesses will be lower in the first quarter with manufacturers cutting such expenditures to a $10.8 billion rate, from $11.1 billion currently and $12.35 billion in the initial three months of 1954. Even public utilities will be spending less, with the projected rate at $3.8 billion for the next quarter, versus $4.1 billion currently. Interestingly enough, the railroads are planning some increase in capital spending; from the current depressed rate of $0.6 billion, to $0.7 billion in the next quarter. This would still be substantially under their expenditures of $1.3 billion in the first quarter of 1954.

* * *

CONTRACT AWARDS for new construction are still doing mighty well with the November total for the 37 states east of the Rockies amounting to $1,499 million, the biggest November total in history and nearly 8% above a year ago, according to figures compiled by F. W. Dodge Corporation. Awards for residential building were sharply ahead of November, 1953, amounting to $709 million, a 46% gain. Heavy engineering contracts, at $299 million, were only 1% better than a year ago while nonresidential awards at $491 million were down 20% from the corresponding 1953 month. The latest contract award figures brought the total for the first eleven months of this year to $17,941 million, 11% above the similar period of last year.

* * *

Shipments of **PRIMARY ALUMINUM** this year will amount to 2.9 billion pounds, a decline of 10% from last year, according to estimates by the Business and Defense Services Administration. However, the drop is confined to defense uses which fell 400 million pounds, while civilian takings rose

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Oct.	125	124	132	93
Mining	Oct.	109	108	114	87
Durable Goods Mfr.	Oct.	138	136	151	88
Non-Durable Goods Mfr.	Oct.	116	115	117	89
CARLOADINGS—t—Total	Dec. 4	662	584	662	933
Misc. Freight	Dec. 4	348	306	354	379
Mdse. L. C. L.	Dec. 4	62	54	65	66
Grain	Dec. 4	49	44	44	43
ELEC. POWER Output (Kw.H.) m	Dec. 4	9,612	9,087	8,583	3,266
SOFT COAL, Prod. (st) m	Dec. 4	8.5	7.4	8.4	10.8
Cumulative from Jan. 1	Dec. 4	356.9	348.4	422.9	44.6
Stocks, End Mo.	Oct.	70.3	69.7	82.7	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Dec. 3	6.3	6.3	6.2	4.1
Gasoline Stocks	Dec. 3	151	149	148	86
Fuel Oil Stocks	Dec. 3	54	55	51	94
Heating Oil Stocks	Dec. 3	131	135	130	55
LUMBER, Prod.—(bd. ft.) m	Dec. 4	255	210	231	632
Stocks, End Mo. (bd. ft.) b	Oct.	8.9	9.0	8.6	7.9
STEEL INGOT PROD. (st) m	Nov.	8.1	7.7	8.7	7.0
Cumulative from Jan. 1	Nov.	80.0	71.9	103.7	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Dec. 9	258	303	294	94
Cumulative from Jan. 1	Dec. 9	13,600	13,341	13,954	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Dec. 4	298	199	307	165
Cigarettes, Domestic Sales—b	Aug.	34	29	35	17
Do., Cigars—m	Aug.	520	449	490	543
Do., Manufactured Tobacco (lbs.)m.	Aug.	18	14	18	28

PRESENT POSITION AND OUTLOOK

by 100 million pounds to a new record of 2.6 billion pounds. The increase in civilian demand for aluminum in the face of the decline in general business, reflects the continued growth in uses of this product. The high level of construction activity helped demand as did expanded use in such lines as refrigeration, air conditioning, outdoor furniture, irrigation systems and for packaging.

* * *

Demand for **RAYON AND ACETATE** has been improving steadily this year after getting off to a poor start, and shipments to consumers in November rose to 101.0 million pounds, the highest rate for any 1954 month and 13% ahead of a year ago, according to data from Textile Organon, the industry's statistical publication. Total shipments for the first eleven months of this year, however, are still 8% under the corresponding 1953 period, reflecting the low demand early in 1954. Output of rayon and acetate in November amounted to 99.2 million pounds with the industry operating at approximately 75% of capacity. With output below shipments, stocks of rayon and acetate in producers' hands declined to 92.8 million pounds at the end of November, from 94.6 million pounds a month earlier and 101.2 million pounds on hand a year ago.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. 1—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

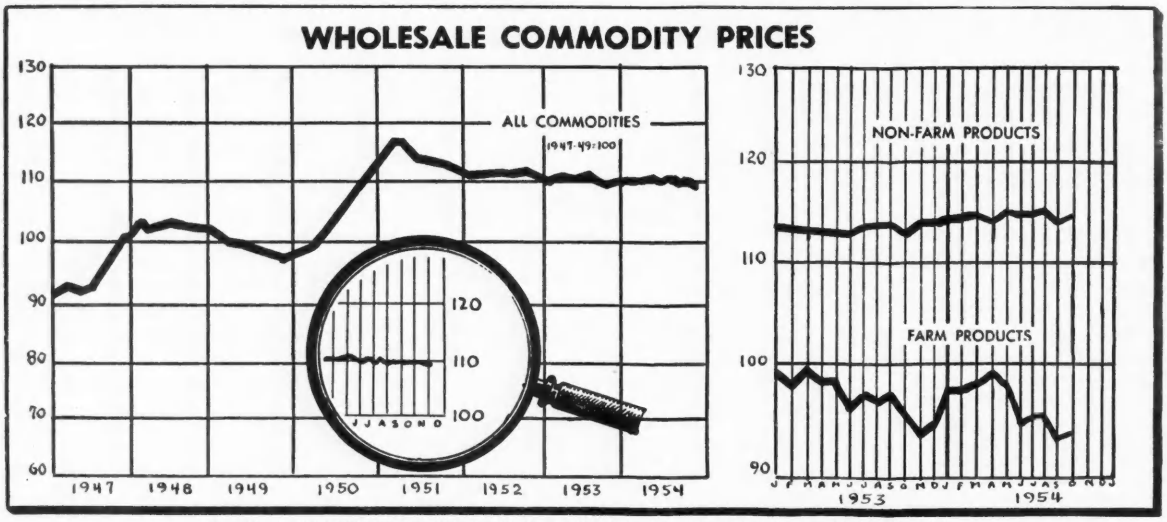
No. of Issues (1925 Cl.—100)	1954 Range High	1954 Range Low	1954 Dec. 3	1954 Dec. 10
300 COMBINED AVERAGE	270.9	192.8	268.2	270.9H
4 Agricultural Implements	257.8	189.7	250.6	256.0
10 Aircraft ('27 Cl.—100)	821.1	404.4	821.1	804.7
7 Airlines ('27 Cl.—100)	980.3	512.3	921.2	980.3H
7 Amusements	141.7	87.6	135.7	141.7H
10 Automobile Accessories	297.0	241.3	290.0	297.0H
10 Automobiles	44.0	38.4	43.6	44.0H
3 Baking ('26 Cl.—100)	27.6	23.0	27.6	27.1
3 Business Machines	682.3	362.3	668.2	657.7
2 Bus Lines ('26 Cl.—100)	393.6	229.2	393.6	386.6
6 Chemicals	472.7	369.3	472.7	469.0
3 Coal Mining	14.3	9.4	12.9	14.3H
4 Communications	101.2	61.0	101.2	97.7
9 Construction	106.0	64.0	106.0	106.0
7 Containers	696.5	495.4	696.5	691.6
9 Copper & Brass	221.9	140.6	213.6	221.9H
2 Dairy Products	129.1	102.0	119.7	119.7
5 Department Stores	79.7	56.8	78.6	79.7H
5 Drug & Toilet Articles	308.6	239.8	302.6	308.6
2 Finance Companies	618.1	394.8	602.2	578.3
2 Food Brands	261.4	194.6	261.4	261.4
2 Food Stores	151.6	130.2	144.9	144.9
3 Furnishings	69.2	61.2	69.2	69.2
4 Gold Mining	678.1	517.4	668.1	678.1H

(Nov. 14, 1936, Cl.—100)	High	Low	1954 Dec. 3	1954 Dec. 10
100 HIGH PRICED STOCKS	175.0	124.0	175.0	175.0
100 LOW PRICED STOCKS	323.0	225.0	314.6	323.0H
4 Investment Trusts	144.3	99.5	139.4	144.3H
3 Liquor ('27 Cl.—100)	1028.6	805.8	1002.9	1028.6H
11 Machinery	316.0	210.0	316.0	307.9
3 Mail Order	160.5	110.2	154.1	160.5H
3 Meat Packing	115.7	85.7	108.0	115.7H
10 Metals, Miscellaneous	335.7	215.1	325.6	335.7H
4 Paper	775.2	466.0	756.7	756.7
24 Petroleum	569.6	412.1	569.6	565.6
22 Public Utilities	233.3	194.4	231.3	233.3H
8 Radio & TV ('27 Cl.—100)	40.6	29.0	40.3	40.6H
8 Railroad Equipment	68.9	52.8	68.9	68.9
20 Railroads	61.0	42.6	59.8	61.0H
3 Realty	82.4	51.0	78.3	82.4H
3 Shipbuilding	500.5	304.4	500.5	474.2
3 Soft Drinks	433.3	380.1	410.5	406.7
11 Steel & Iron	202.6	133.8	198.7	202.6
3 Sugar	59.2	47.3	57.4	59.2H
2 Sulphur	854.5	564.3	816.8	822.2
5 Textiles	140.8	101.3	136.8	135.7
3 Tires & Rubber	140.7	86.3	139.8	140.7H
5 Tobacco	86.2	73.5	86.2	83.7
2 Variety Stores	317.7	274.4	317.7	311.9
16 Unclassified ('49 Cl.—100)	142.6	106.2	140.5	142.6H

H—New High for 1954.

Trend of Commodities

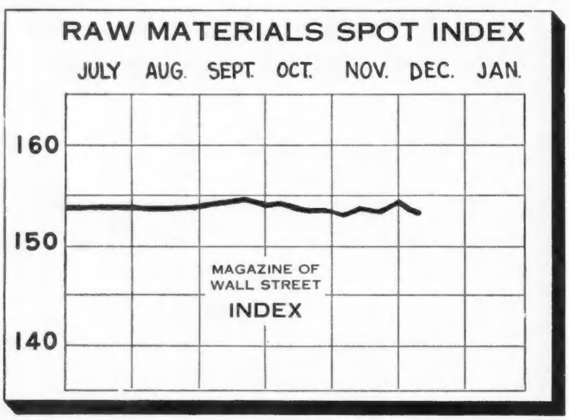
Almost all commodity futures were in a declining trend in the two weeks ending December 13 and the Dow-Jones Commodity Index lost 4.4 points to close at 169.54, lowest level in two months. Wheat futures were soft during the period with the May option losing 4¾ cents to close at 222. The Agriculture Department has recently pointed out that a large part of the wheat supply is controlled by the Commodity Credit Corporation and that the amount of available "free" wheat may not cover expected demand. However, it must be remembered that the CCC has been selling wheat this season at an average rate of 5 million bushels a week. If this rate of liquidation continues for the balance of the season, the supply of free wheat will be greatly augmented. May corn lost 6¾ cents in the two weeks ending December 13 to close at 157½. The declining hog-corn ratio is being viewed as a bearish factor, with 100 pounds of hogs now selling for only 11.7 times a bushel of corn as against a ratio of 14.7 a year ago. However, the number of hogs on the farm will be higher in 1955 and this should bolster demand for the grain for some time to come. This year's small corn crop is also a favorable influence although CCC selling could negate the effects of this factor. May cotton was down 21 points in the fortnight under review to close at 34.76. The Agriculture Department's most recent estimate forecast a 13,569,000 bale crop, 363,000 bales above its November estimate. The total supply of cotton for this season is now indicated to be 23.1 million bales, or 1 million bales more than last season. The national acreage allotment for upland cotton for next year has been set at 18.1 million acres for 1955 versus planting this year of 21.4 million acres. However, with farmers concentrating on their most fertile land and using various growth stimulants, the size of the crop may not be greatly affected.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

	Date Dec. 10	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	89.8	90.7	91.0	88.5	53.0
9 Foodstuffs	91.1	92.4	96.9	96.0	46.1
3 Raw Industrial	88.8	89.4	87.0	83.6	58.3

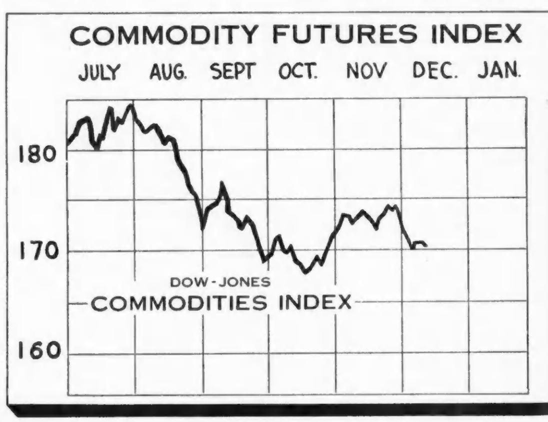
	Date Dec. 10	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
5 Metals	99.0	100.2	97.1	88.4	54.6
4 Textiles	84.8	85.9	87.9	88.1	56.3
4 Fats & Oils	69.4	68.7	71.7	71.1	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	147.8	160.0	176.4	98.6	58.2	48.9	47.3	54.6



Average 1924-26 equals 100

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	183.7	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	64.7

Region-by-Region Survey— Forecast of Business Trends

(*Continued from page 372*)

ades because of TVA and, in more recent years, substantial atomic energy installations. Because of the galvanic effects of atomic energy spending in the area, the District was fairly well isolated from the effects of the 1953-1954 recession which had so pronounced an impact on the industrialized areas of the north. This fall, in fact, incomes in the Atlanta district have run moderately above a year ago, and trade and residential building activity have continued substantially above a year ago.

Paper and industrial chemicals installations have continued to swell incomes, and the Florida boom has persisted into 1954, although at a rate not comparable to earlier years of the boom. Moreover, the agricultural recessions of 1952 and 1953 tapered off to nothing in 1954, as farm prices (particularly for cotton, the great staple product of the region) have about stabilized at the support level. Farm incomes in the area have accordingly changed little in 1954; and since cotton supports for 1955 will be approximately at the 1954 level, little change should be expected in the year ahead.

For 1955, in fact, the expansive forces seem generally to outweigh the contracting forces in the Atlanta District, and the outlook is for moderate and sustained growth. In the first half of 1955, the district's growth will doubtless be eclipsed by that of the more industrial, and more mercurial, districts to the North. But for the year as a whole, Atlanta should more than hold its own.

Nestled between the predominantly rural Atlanta District to the South, and the predominantly industrial Chicago District to the north, is the St. Louis District. This Eighth Federal Reserve District, which includes parts of Mississippi, Tennessee, Illinois, Missouri and Arkansas, is a highly diversified middle slice of the nation. It includes part of the Southern cotton belt, the Western cattle belt, the Central-Northern industrial belt.

Because it is average, the movements of income and activity in the area have fairly well conformed to the national average. Incomes are now slightly below a year ago, as is the national income total. Trade in the area is improving modestly, as it is on a national scale. Even the industries which are heavily represented in the area—food, chemicals, petroleum, beverages, are improving slowly, in line with the general improvement in national economic activity. The outlook for the area is for a mild cyclical recovery, superimposed on a mild long-term growth trend. For its agricultural sector, the outlook is somewhat better than the cotton belt south and east of it: the cattle forecast for 1955 is for a somewhat better price than prevailed in 1954, and beef demand is expected to be somewhat higher. Industrially, the district is still growing, unlike the Northeast, and its performance should be relatively favorable over the next several years.

Conditions in the Nation's Breadbasket

The Ninth District, with headquarters at Minneapolis; the Tenth District, with headquarters at Kansas City; and the Eleventh District, with headquarters at Dallas, together form a broad vertical band that separates the industrial northeast and the cotton-dominated southeast, from the mining, manufacturing and truck-crop farming of the Far West. It is the breadbasket of America; the land of the huge wheat farm; the giant cattle range; and, in the South, the endless rows of oil wells. From the Ninth District comes grain and cattle; from the Eleventh District comes cattle and oil; the Tenth District produces or processes enormous quantities of all three commodities, and in addition serves as a vast warehouse and marketing organization. Kansas City, together with St. Louis to the southeast, is the door to the American West.

Incomes in all three of these districts are running ahead of a year ago, and so is the volume of trade. In the Minneapolis district, which includes Northern Wisconsin, Minnesota, Montana, and the Dakotas, the relative stability of wheat and beef prices has meant little or no decline in farm incomes over the past several months, while the moderate industrial activity in the area—fabricated metals, food processing (mainly meat and dairy products), furniture, etcetera — have been enjoying slow recovery. Activity in lumber and paper industries was never very markedly affected in the 1954 recession, and are now operating at very high levels. Industrialization in the Kansas City District has meant a growth of wage and salary income on top of stable agricultural incomes, and the result has been the highest year-to-year gain in income of any Federal Reserve District.

In the Dallas District—the District enjoying the fastest long-term growth of any area in the nation—the year-to-year gain has not been striking in 1954, mainly because it is heavily represented in two industries — aircraft and autos—that suffered a sharp recession in 1954. With the aircraft decline now virtually ended, and with the auto industry once again in high volume production, the Dallas District outlook is now as bright as for any part of the United States.

Steady Growth in Far West

The Twelfth District, with headquarters in San Francisco, includes all of the American Far West. Like the Dallas District, which adjoins it at its Southeast corner, it is one of the nation's great growth areas. In the past two decades it has diversified rapidly into light and heavy manufacturing, apparel, chemicals, and aircraft, to name only a few industries. The petroleum industry is still a major factor in the Twelfth District's economy, and its agriculture, which is centered in truck crops, has never experienced the full force of the agricultural depression.

Lumbering activity in the Pacific Northwest has recently boomed to new highs as a result of the sharp revival of the construction boom in mid-1954, and business conditions in Oregon and Washington seem headed for new peaks in 1955. Farther south, most of the manufacturing activities into which the district has diversified are experiencing more modest recoveries, and the two giant industries of the area—aircraft and petroleum—are temporarily only stable. Local centers of automobile assembly in California represent mostly the independent producers, and the auto boom has therefore not been a significant factor in most of the district's areas.

Along the eastern edge of the district, mining activity — copper, lead, zinc—has improved rapidly, with operations shifting progres-

(*Please turn to page* 406)

Region-by-Region Survey—Forecast of Business Trends

(*Continued from page* 405)

sively from short weeks to, very recently, seven-day operations at some of the bigger installations. The effects of this nonferrous boom have still not been fully reflected in the figures for income in the area; when they are, the District will evidently show a 1954 performance considerably better than the national average.

The outlook for the San Francisco District is for relatively moderate growth over the next year, reflecting, in the main, stability in its agricultural component, in petroleum activity and in aircraft production, combined with considerable improvement in its general manufacturing activities, and in mining. This recovery is, of course, superimposed on a very healthy long-term growth trend.

This cross-sectional analysis of business conditions at the end of 1954 sheds considerable light on what can be expected of general business in 1955. For the first half, certainly, the dominant element in the national business picture is likely to be the driving, swelling recovery of industrial business in the industrial northeast; the Philadelphia, Cleveland and Chicago Districts. If the impetus to this business cycle recovery should wane by mid-year, the focus of national growth will shift to those less mature areas where a pronounced long-term uptrend still exists: in California, in Texas, in the rapidly industrializing American Southeast, and in the highly diversified, and still growing center of the nation, the St. Louis and Kansas City Districts. —END

How New Products Expand Company Earnings

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Manufacturing Co., has only recently brought out a new glass filament reinforced plastic sheeting which it states has the advantages of high strength and low weight, low tooling and molding costs, and excellent electrical properties.

The current theme of the entire chemical industry is continuing progress through research. Among other developments, some of which have been brought to fruition only weeks ago, has been the reproducing of the true molecule of crude, or tree grown rubber, by Goodrich-Gulf Chemicals, Inc., jointly owned by *Gulf Oil* and the *B. F. Goodrich Co. American Viscose,* which incidentally has developed a rayon tire yarn of super strength now in commercial production, has a radically new form of rubber with high tensile strength and which is readily workable. This is Viscose's "Filastic" and is expected to find many industrial uses, being particularly adaptable for elastic bandages, girdles, bathing suits and rainwear because it is water repellant and capable of "breathing."

The Vista Before Investors

In one of the oldest divisions of the chemical industry new vistas are opening up. This refers to the manufacture of fertilizers, a growing industry as it becomes necessary to expand agricultural production to feed a fast growing population, a rate of growth forcing the utilization of heretofore poor soils but which can be made productive through the application of chemical fertilizers. Among the manufacturers of agricultural chemicals are *International Minerals & Chemical* and *Blockson Chemical* which may develop into important sources of uranium concentrates as a by-product of treatment of phosphate rock in fertilizer production.

A compilation of companies in various industries that through research and engineering have brought out new products that are adding to earning power and promising continued growth would be almost endless. That which is set down in this article should be sufficient to alert the investor to the developments taking place and whetting his appetite to devote a good portion of his time to studying the activities of these and other companies if he is at all interested in uncovering worthwhile long-term capital appreciation opportunities. Some of the more interesting company developments in new products are listed in the accompanying table.

Finally, from the investor's viewpoint, it is clear from the above that research and development of new products is proceeding at a dizzy pace, involving the expenditure of hundreds of millions of dollars. By adding to the number of new products, companies broaden their earnings base. This is necessary if they are to keep pace in a dynamic America. Those companies which are exceedingly active along such lines are most apt to retain leadership and to forge ahead. Those which are content to plod along on old lines, with old products, cannot expect to prosper or, even, in many cases, to stay in business. The investor's job, therefore, if he is to obtain the best results, is to keep closely in touch with company developments relating to research and the development of new products and markets. For the investor, with his eyes on the more distant future, this can be even more important than current earnings, dividends and, even, market price. —END

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million in the third quarter.

- Security offerings by financial companies, including commercial credit companies, were down nearly $700 million in the first nine months of 1954, reflecting reduced sales of autos, appliances, etc. If such volume turns up next year, as seems likely, financing requirements of the credit companies will rise again.
- Financing by communications companies also have increased during the second half of 1954, compared with the early months of the year. Both utilities and communications companies should be in the market again in 1955 for large sums of money, since their expansion programs will again be large.

Taxes and New Financing

If corporation income taxes are reduced over the next few years, the incentive for financing plant expansion through new bond issues rather than through equity financing will be reduced. Corporations are allowed to deduct interest charges on debt from their taxable income. In effect, the Government, as long as the excess profits tax was in effect, was assuming a major share of the interest costs. In contrast, dividends on new stock issues are not deductible from corporate income.

A small measure of relief from "double taxation" has been put into effect by the Revenue Act of 1954, which grants small exemptions from individual income taxes to recipients of dividends. To some extent, that change in the law has already contributed to the increased popularity of common stocks as investments. Investors are hopeful that Congress may further ease the impact of double taxation in the future.

Industries are likely to re-examine their financing policies in the light of long-range needs. It appears that the steel industry, for example, will need approximately $30 billion over the next thirty years, merely to pay for additional plant capacity, not taking into account the modernization of older plants. The anticipated growth of population and the resulting enlargement of the market for steel, aluminum, and many fabricated products, such as autos and electrical equipment, makes it necessary for management to do some long range planning or financing, particularly since new plants today cost much more than in former years. Present depreciation charges, in most instances, are not adequate to provide funds for new and additional plants.

The practice of management, in recent years, has been to pay out between 50 and 60 per cent of income in the form of dividends, and to retain the rest in the business for the purchase of new facilities. There will be little opportunity over the next twenty years to increase the ratio of dividends to income, with such a big expansion program lying ahead, unless management can carry out new equity financing. There will be understandable hesitancy about incurring big fixed charges such as would be undertaken if the program is financed with new long term bond issues. Hence, as far as possible, management will attempt to pay for expansion out of retained earnings, depreciation charges and equity financing.

While the Revenue Act of 1954 gives management considerable flexibility with regard to increasing depreciation charges, it remains to be seen how much advantage will be taken of this statute. If earnings rise rapidly, the temptation will be strong to charge less for depreciation and thus reduce tax payments.

But in industries where the profit squeeze continues; if labor cost rises occur annually, and it remains difficult to pass along such cost increases in the form of higher prices—then management will be reluctant to step up depreciation charges and further deplete an already attenuated net profit.

Evidence of such reluctance to make charges against profits for accelerated amortization began to appear in 1954. Jones & Laughlin Steel Corporation, for example, issued two sets of accounts in each quarter. In one, the full accelerated amortization charge was taken; this report was undoubtedly the one used for income tax reporting to the Internal Revenue Bureau. But to show stockholders that such accelerated charges were

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indicated by increasing retail sales. Textile factoring should improve. Other divisions, insurance and modernization loans maintaining high levels. Moderately higher earnings in 1954 and should rise again in 1955. Dividend is amply covered.

Rating—B[2]

Rayonier, Inc.: This company, in an expansionary phase, has importantly diversified activities in recent years, concentrating more on chemical cellulose for use in cellophane and rayon and less on textile. With a broader base of operations, company has forged ahead in earnings, reaching a new high record in 1954. Further progress expected. Dividend quite moderate in view of coverage but stock has had very sharp advance.

Rating—B[3]

Case, J. I.: Poor record since 1952 in sales of farm equipment but defense orders are a supporting element. General outlook is not favorable, unless an unexpected broad demand for farm machinery should develop. Dividend resumption not in sight at present.

Rating—D[4]

Nat'l Lead: Company steadily adding to diversification and the stock may be considered a growth issue. Favorable developments are the leading position of company in titanium and zirconium, in addition to advanced techniques in paint manufacture, as well as acquisition of Doehler-Jarvis, leader in non-ferrous die castings. Rather high valuation given to earnings indicates growth stature. Long-term factors a prime consideration in this instance with dividend rate secondary. *Rating—B*[1]

Amer. Locomotive: Fundamental position not appealing, owing to generally unfavorable outlook for locomotive manufacturing. New developments may help position. Earnings have dropped substantially and dividend coverage is narrow.

Rating—D[2]

Douglas Aircraft: An extreme beneficiary of the lapse of EPT, the company will probably earn about $14 a share in fiscal 1954 (Nov.), compared with about half this amount the preceding year. Long-term position aided by new developments in company's commercial planes and near term outlook favorable owing to continued heavy manufacturing of military planes. The stock possibly could be split again in view of the great accumulation of earnings. Liberal cash payments well within capacity of company but large rise in stock should be considered.

Rating—C[3]

Republic Pictures: Negligible results compare unfavorably with improvement in other motion picture companies in past year. While some betterment is expected, the general outlook is obscure. No dividends likely.

Rating—D[4]

Carrier Corp.: As the largest "independent" manufacturer of air-conditioning equipment, this company occupies a strategic position in the industry. The main interest centers in developments relating to increased demand for central-unit conditioning and large installations for public and office buildings, including renovation of structures to facilitate installation of air-conditioning units. Room units for residential purposes fell off last summer due to failure of hot weather to develop, except briefly. Fundamentally, the company is well situated in a growing industry but competition is increasing. Dividend moderate in view of demonstrated earning power.

Rating—C[3]

Schering Corp.: Company in the earlier stages of an important research and development program, particularly in sex hormones, antihistomines and cortisone. Pending full development of these products, only moderate earnings expected but long-range prospects seem good. Small dividend secure.

Rating—C[2]

Missouri-Kansas-Texas: Main interest centers on recapitalization plan recently approved by directors, in which arrears on preferred will be liquidated through new issue of income bonds and "A" stock; common to be exchanged for new common. Pending definite improvement through recapitalization, common stock prospects are uncertain.

Rating—D[4]

Sperry Corp.: One of the principal beneficiaries of the government military program. Company in broad process of diversification, particularly in electronics. Absence of EPT has raised earnings markedly. Next year's earnings should be at least equal to 1954. New cash dividend on split stock well within capacity of company and an increase would be warranted.

Rating—C[2]

Lorillard (P): Company making every effort to meet new competitive conditions brought on by nation-wide introduction of "filter-type" cigarettes, New "Old Gold" filter should aid sales but "Kent" is meeting severe competition. In view of unsettlement caused by "cancer scare," company has been turning in good earnings reports. Dividend covered by adequate margin.

Rating—C[2]

York Corp.: Fundamental position of this company is favorable but last year's unseasonable cool weather during summer held sales back for residential air-conditioning. Company meeting good demand for large-scale conditioning and refrigeration. Maintenance of satisfactory though not above-average earnings for this industry indicated next year. Dividend conservative.

Rating—C[2]

Commercial Credit: Largely owing to falling-off in instalment paper for retail auto financing, earnings in 1954 will probably be slightly lower than in 1953. Fundamental position of this company sound, in view of its important position in insurance, general financing, factoring and miscellaneous manufacturing subsidiaries. Earnings in 1955 should be higher, with increased demand for new automobiles. Dividend secure.

Rating—B[2]

Foster Wheeler: Company in a highly cyclical field but in recent years has benefited from heavy demand for installation of oil refinery and powerplant equipment. Unfilled orders down sharply and not likely that second half will duplicate extraordinarily high first half earnings. Dividends are nominal in view of 1954 large earnings and could be increased without difficulty. However, past

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not entirely realistic, J. & L. also issued another report in which amortization costs were scaled down, and income was thus improved somewhat.

The Attitude of Management

Few companies have thus far indicated that they would take full advantage of their privilege to use the declining balance method of calculating depreciation costs. But more may choose to do so when current five year-accelerated amortization programs are terminated. Depreciation allowances have risen from $4.2 billion in 1942 to nearly $13 billion in 1954.

Summing up the attitude of management on the question of how to finance future expansion, it appears that the need for huge sums of investment money will rule out substantial liberalization of the ratio of dividends paid to net income. Where earnings rise, dividends will rise, too, in proportion to the gain in income. In cases where the company sees no need for new money to finance expansion for a few years, there might even be a disposition to step up the ratio of dividends to income, as long as earnings remain at a high level. But in the great majority of cases, companies will not want to distribute more than 60 per cent of their net income, even where capital investment has tapered off, because they will want to set aside reserves for future expansion or modernization.

In recent years, funded debt totals have risen in many industries, owing to capital expansion requirements. Sound planning henceforth may call for less emphasis on bonds to raise new money.

The investment requirements for the next two decades will be so large that management will see the desirability of carrying out equity financing on a scale as large as any in our history. But that phase probably may not be reached in 1955, since the capital requirements will not be as large in that year as in recent years. Beginning around 1957 or 1958, when big capacity expansion will again be under way in steel and other basic industries, equity financing should be in the spotlight, if security markets remain strong.

If stocks rise substantially above their book value, there will be a further incentive to management to seek new money or to retire senior securities in the form of equity financing.

Money rates appear to be headed for a period of stability in 1955. They should remain low enough to permit profitable refunding operations in those cases where high coupon bonds are still outstanding. But most of the activity in 1955 should be in the new capital market, with low coupon bonds still accounting for a large proportion of the new offerings.

In the first half of 1954, corporation earnings before taxes were at the rate of $34.5 billion a year. This was 18 per cent lower than a year earlier.

Lower taxes, however, offset most of the decline. After taxes, earnings were down only 10 per cent. In the second half, the upturn in business should result in at least a slight gain in net after taxes, compared with the first half, and further gains should be possible next year.

Hence cash flow from depreciation and net profits next year should be better than in 1954 releasing funds for internal financing. This gain, however, will be more than offset by needs for more working capital, to carry larger inventories and receivables. Hence short term financing needs are likely to be substantially larger than in 1954. —END

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dividend record has been erratic.

Rating–C^3

General Public Service: An investment company-closed-end trust — and specializes mainly in public utility and natural gas dend this year, compared with 30 stocks. Only 5-cent per share dividends in 1953. In view of limited appeal, stock is unattractive.

Rating–C^4

Canada Dry: A diversified soft drink manufacturer; also distributes well known Scotch whiskey brand. Company has improved operations through reducing bottling operations and offering franchises to large-scale customers. Earnings have been holding rather steady in a highly competitive field. Dividend can be maintained.

Rating–C^2

Safeway Stores: Operating a food chain of over 2,000 stores, the company is aggressively pursuing a program of modernization and expansion of new stores, many of the super-market type. In addition, it has extensive supplementary interests relative to supplying various food products. Earnings in past two years have reached new high levels. Due to heavy financing requirements, dividends may be held to present rate though increase could be justified by earnings margin.

Rating–B^1

Mengel Co.: Acquisition of control by Container Corp. of outstanding importance to company's future, as integration of operations should furnish more dependable base for revenues. Recent improvement in furniture sales may offset unsatisfactory showing in first half. Dividends now probably in safer position owing to Container Corp. interest. Stock has had sharp advance.

Rating–C^3

American Can: This company, with its virtually impregnable position in the container industry, cans and fibre, responds to the rapid population growth through continued enlargement of facilities. Long-range prospects the essential factor in any evaluation for the stock as current yield is limited.

Rating–B^2

American Motors: This company is a long-range speculation on the ability of the merged Nash-Kelvinator and Hudson to obtain a satisfactory share of the total automobile business. In view of the fact that time will be required to integrate operations on an efficient basis, stock only suitable for investors in a position to assume long-range speculative risk. Immediate prospects dependent on extent of recovery in automobile industry generally. Repetition of June dividend seems doubtful in near future. Financial position good.

Rating–C^2

Air Reduction: Company should be in a position to receive benefits from construction and development program. Increase in steel operations will aid. Dividend can be maintained.

Rating–B^2

Crane Corp.: Company has experienced somewhat slower demand from heavy construction customers for valves and pipe fittings, of which it is a leading manufacturer. Interest centers chiefly in the new titanium plant which is expected to be in operation in 1955. This could produce an important source of new revenue. Though current dividend margin not large, payments can probably be continued.

Rating–C^2

Servel: Company has been endeavoring to improve position through diversification but new fields such as refrigerators and air-conditioning highly competitive. Earnings record unimpressive and no dividends can be paid owing to loan provisions.

Rating–D^4

Bliss (E. W.): Company's earnings this year have registered improvement owing to lapse of EPT. Incoming orders apparently are declining and it is not likely that profits in the nearby period will equal those of early 1954. Rather erratic earnings record and need to revamp some of the older plants gives a somewhat uncertain appearance to the prospects for this stock. Dividends have been moderate and can be maintained.

Rating–C^3

Marathon Corp.: Operating mainly in the food-packaging industry, company has developed a stable business with a gradual increase in sales. Rapid expansion in earnings not expected but gains of recent years should be held. Dividend in sound ratio to earnings.

Rating–C^1

Kern County Land Co.: Main interest centers in oil reserves in California, from which increasing revenues are secured through leasing arrangements with large oil concerns. Cattle-grazing lands also supply revenues. Stock considerably outran its prospects in 1952 but has since settled down to more reasonable level. Company pays out bulk of earnings in dividends. Only long-term prospects should be considered as immediate attractiveness is not great.

Rating–C^1

Capital Airlines: Company in process of substituting costly turbo-prop planes from Britain for conventional models. Due to extensive financing requirements to expedite new program, no cash dividend being paid but 5% stock instead. Company operates in a good area but is in extensive competition with larger lines.

Rating–C^3

Niagara Mohawk Power: Steadily expanding utility serving upstate New York communities; long-range benefits of importance are expected from eventual tie-up with St. Lawrence power project. Constant building-up of electric power installations give widening base to revenues. One of the most interesting among public utility "growth situations." Dividend secure.

Rating–B^1

Rockwell Spring & Axle: Largely engaged in automotive, truck and farm equipment industries, earnings have been variable dependent on fluctuations in these industries. This year, earnings will be somewhat lower after formation of the company through merger in 1953 between Standard Steel Spring and Timken-Detroit Axle. Dividend coverage rather narrow.

Rating–C^4

St. Louis-San Francisco RR.: 1954 earnings sharply reduced and dividends may not have been earned in 1954. An increase in revenues would have sharp effect on earnings of this highly-lever-

aged stock but in the meantime dividend position not too secure. Long-range prospects seem more favorable but patience will be required.

Rating—C^2

Solar Aircraft: Due to normal replacement sales, company's backlog has held up fairly well, registering only a moderate decline from a year ago. Principal products in furnishing component parts for jet engine are in expanding demand. Specialized know-how in manufacturing important aircraft parts an intangible of considerable value. Earnings for near future should be maintained and dividends, including small payment in stock, are within capacity of company.

Rating—C^2

Stevens (J. P.) & Co.: This important textile manufacturer has experienced poor earnings in the past several years. But improvement seems in sight (see article on textiles this issue) and Stevens should benefit. During most of the year, the dividend probably was not covered but current improvement should produce enough to meet payments. Future payments will largely depend on how soon substantial recovery is experienced.

Rating—C^2

South Carolina Elect. & Gas.: This company derives current interest from serving H-bomb government project which is located in company's area. Company has made steady progress in revenues and earnings and stock has appeal for more conservative investors. Dividend secure and probably can be increased in time.

Rating—C^4

El Paso Natural Gas: Due to heavy charges for expansion, especially the new pipe line to service California, as well as new exploration charges, in additional to increased junior capitalization, per share earnings for 1954 have probably declined. However, long-range prospects are highly satisfactory. In addition, company's major leases on government-owned lands are potentially valuable in view of proximity to recent uranium finds. Dividends can be maintained and coverage should be much larger in future years.

Rating—B^1

Northern States Power: Well managed utility serving gradually growing territory in Minnesota and South Dakota. While not one of the most dynamic utility stocks, issue possesses merit as moderately attractive long-term holding.

Rating—C^2

N. Y. Chi. & St. Louis: Road's earnings have held up well in view of drop in car loadings servicing automobile industry. However, pickup in auto production as well as increase in general manufacturing should bring upturn in earnings in coming year. In this respect, the company is in an exceptional position. Dividends can be maintained, or even increased eventually.

Rating—C^1

Sylvania Electric: Because of competitive conditions in TV in earlier part of year, company's 1954 earnings are expected to show mild decline despite savings from EPT lapse. Current improvement in TV and radio and lighting fixtures should raise earnings over near-term. Newer developments in electronics of long-range importance to this diversified and well-managed company. Dividend covered by adequate margin.

Rating—C^2

Amer. Machine & Fdry.: Company operates in diversified but rather specialized machinery field serving such diverse interests as bowling alleys, cigars, cigarettes and many others. Problems in maintaining adequate profit margins on miscellaneous products give a somewhat uncertain slant to the prospect for any substantial growth of earnings. Dividend covered by fair margin and supplemented by payment in stock.

Rating—C^4

American Woolen: Merged with Robbins Mills and Textron into Textron, American, Inc. Realignment of operations incidental to consolidation will take time to produce desired results but in the long run the exchange of stock may prove profitable but many uncertainties still exist. May be held temporarily as speculation.

Rating—C^2

Int'l Minerals & Chem.: Company's basic business is in supplying fertilizer and mix-fertilizer industries with superphosphates.

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Considerable interest in uranium recovery potentials derived from solutions as byproduct. Earnings have been stable in recent years but have declined this year. Benefits expected from new plants. Dividend covered by adequate margin.

Rating—C^2

Amer. Gas & Elect.: Operating in a rich agricultural area in Indiana, Ohio, Kentucky and nearby regions, company also services many important industries. Gradual growth marks record of this important holding company. Increase in capacity to meet growing needs has been financed without difficulty. Dividend coverage ample but higher rate awaits further expansion of revenues.

Rating—B^2

Pacific Gas & Elect.: Rapid expansion of facilities to meet growth of northern and central California territory in which it operates largely financed during past two years. Recent rate increase for one subsidiary will increase net next year and if further rate increases are granted, company's earnings could improve sharply. Dividend now well protected.

Rating—B^1

Consolidated Edison: Expenses incidental to enlargement of facilities, particularly with respect to conversion to natural gas are holding net earnings down despite gain in gros revenues. Company in sound position to benefit from residential and other gains. Dividend secure.

Rating—B^2

A.C.F. Industries: Appreciating the limitations of the building of passenger and freight railroad cars, company has broadened its field, and has entered electronics manufacture, oil field and pipe line equipment; maintains its position in the leasing of tank cars; and miscellaneous other industrial fields. The "Talgo" lightweight freight train offers promise for the company's future. The recapitalization of the $7 preferred stock is a favorable development. Earnings have been unusually large for the past few years but, in view of general decline in rail equipment, some decline may be expected. The dividend appears rather over-liberal.

Rating—C^2

Admiral Corp.: Earnings have been lowered owing to the decline in TV sales, typical of the entire industry for the first part of the year. Some improvement expected during current period and into early 1955. Has entered highly competitive air-conditioning field and defense business may be lower. Considering over-all improvement, though moderate, in appliance field, company may be able to better 1954 earnings by a small margin. Dividend conservative and can be maintained.

Rating—C^2

Texas Gulf Producing: Important discoveries in new oil field have substantially added to reserves of this growing crude producer. Company's ownership of other potential oil-bearing properties a factor in great rise of the stock this year. Earnings are holding to the maximum over the past few years and may increase again in 1955. Dividend quite conservative.

Rating—C^3

Allegheny-Ludlum Steel: Earnings temporarily ran into snag in 1954 but company's long-range prospects as important stainless steel manufacturer. Titanium and atomic energy factors of substantial long-range significance. Earnings next year can reach $3 a share minimum with nation's steel operations at an annual average rate of 75% capacity. Prospective increase in earnings will provide better dividend coverage.

Rating—C^1

Duquesne Light: Aside from its important position in the Pittsburgh industrial complex and residential areas, the company's future will be importantly affected by its current atomic energy project, the first of its kind. Long-range prospects more than usually favorable. Dividend recently increased and should go higher eventually.

Rating—B^1

South. Cal. Edison: Rate increase has substantially lifted earnings potential which is naturally magnified through expansion of dynamic territory served by company. New facilities are keeping pace with needs to supply power. Dividend now in a position to be increased.

Rating—B^1

Fruehauf Trailer: This leading truck trailer manufacturer is in a position to benefit from the steady growth in demand for highway freight and services practically every type of industry. Recent financing has strengthened capital structure and added working capital. 1954 earnings down owing to special circumstances but an increase is looked for in 1954. The cash dividend is quite within the capacity of the company.

Rating—C^1

General Public Utilities: This holding company controls electric power companies operating in New Jersey, Pennsylvania and the Philippines. Has moderate growth potentials and earnings which have been increasing annually over the past few years justify current dividend rate. In time, this could be raised.

Rating—B^2

International Paper: Company has continued its impressive earnings in 1954. However, operating margins may be moderately lower as sales trend dips. It will be more difficult for 1955 to make favorable comparison with 1954 as the latter had the advantage of the end of EPT in a comparison with 1953. Nevertheless, earnings should run well above dividends as this leading paper producer is in an excellent physical and financial position, after years of upbuilding.

Rating—B^3

Del. Lackawanna & Western: Owing to decline in industrial production in area served, earnings were substantially lower in 1954. Long-range prospects enhanced by St. Lawrence river project. If debt is reduced next year, as expected, net income would be favorably affected. This will be a particularly important factor as related to the capacity to maintain dividends.

Rating—C^2

Grace (W. R.) & Co.: (This company described in November 27 issue.) As indicated, prospects are considered unusually promising and the stock may be considered in the growth category.

Rating—C^1

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Chance Vought: This is now an independent company, after the "spin-off" from United Aircraft. Essentially engaged in manufacture of naval aircraft and guided missiles and also as subcontractor for Boeing and Lockheed, the company is practically dependent on the scope of orders from the defense Department. While earnings undoubtedly will remain substantial for the next year or two, stock has limited appeal. Modest dividend now paid could be increased.

Rating—C^3

Sears, Roebuck & Co.: As the largest retailer in the general merchandise field, this company forged ahead, expanding in Latin America and Canada (through absorption of Simpsons, Ltd.) and its long-range outlook is well above average for this type of business. Earnings in fiscal 1955 (January) probably will be slightly lower than in 1954, owing to moderate drop in sales and lower operating margin. With increase in employment and enlarged consumer buying in prospect, earnings should gain next year. Dividends probably will be held to present liberal rate.

Rating—B^3

Wheeling Steel: In common with other smaller steel "independents," this company's earnings fell off in 1954 but held up better than average. Next year's earnings should increase substantially, with an increase in sales and in consideration of company being a low-cost producer. The current dividend can be maintained.

Rating—C^1

Philco Corp.: The concurrence of smaller demand for TV sets and a strike in the second quarter of 1953, have resulted in a substantial earnings decline. New demand for TV sets, however, should bolster earnings in coming months. Company among the best managed in industry and long-range outlook is substantial. Dividend rate can be held.

Rating—C^2

Erie R. R.: Slump in earnings this year but better results expected in 1955, particularly after opening of large Ford assembly plant. Heavy maintenance charges tend to hold reported profits down. Dividend not covered but may be continued in expectation of earnings recovery.

Rating—C^2

Middle South Utilities: One of the growth utilities and expanding gradually to meet power needs of a dynamic region. Gradual growth in earnings per share despite additional stock. Dividend about in line with current earnings.

Rating—C^2

Johns-Manville: Down-trend in earnings in 1953 and early 1954 now apparently reversed and strong construction picture affords background to expectation for an increase in earnings. Company advanced in research and development and long-range outlook among the most satisfactory in the building equipment industry. Dividend seems in secure position.

Rating—B^2

Ohio Oil Co.: This company is well fortified with respect to reserves of crude and natural gas. Earnings have been substantial in recent years and outlook is for continuation in 1955. Minor decrease in 1954 not of especial importance in consideration of company's long-term uptrend. Dividend well covered.

Rating—B^2

Goodyear Tire & Rubber: High earnings retention in 1954 largely facilitated by lapse of EPT. General sales held up well despite falling off in automobile production. New upward trend in autos should tend to raise profit margin. Company continuing to forge ahead in chemicals and broadening of markets of new products in this branch of great long-term importance. Dividend raised and stock to be split 2-for-1.

Rating—B^3

Westinghouse Airbrake: Sharp decline in earnings resulting from falling off in railway equipment business. Diversification through part interest in manufacturing of automotive airbrakes and construction machinery should aid in bolstering revenues but general outlook is not too prepossessing at this time. Dividend not being covered and cannot be considered too

secure.

Rating—C^4

Monsanto Chemical: Large diversification in many branches of chemical industry places this dynamic company among the leaders in the field. Earnings not expected to quite match 1953 but dividend in a secure position. Long-range outlook for this rapidly growing company the essential feature of an evaluation for the stock.

Rating—A^3

Standard Oil of Ohio: An integrated company and making efforts to improve its crude oil ratio, a necessity in order to maintain a sounder balance. Earnings off in 1954, due to smaller sales for refined and other processed products but outlook should improve in 1955. Long-range outlook bettered by modern management policies. Dividend secure.

Rating—B^2

Parke, Davis & Co.: Earnings slump probably ended with discernible improvement in sales and in inventory position. Company's strong position in newer antibiotics in addition to its far-flung trade connections gives it good long-range outlook. While earnings have a long way to go to equal former high levels, the basis for a slow upturn seems to have been laid. Dividend should be maintained.

Rating—B^1

Paramount Pictures: Sharp gain in earnings due to success of major releases and favorable outlook for its TV affiliates in addition to public appeal of its new large-screen method of heightened visualization. Foreign revenues have improved and general outlook for this company is for continued recovery, provided it matches its recent record of good pictures. Dividend well within capacity to pay under present circumstances.

Rating—C^2

Pure Oil Co.: One of the most successful of the medium-sized oil companies with especially good position with respect to actual and potential holdings in various states. Earnings have been well maintained though they have not reached the peak years of 1950 and 1951. Regular rate supplemented by extra and can be maintained.

Rating—B^3

Trans World Airlines: Company in process of adding new type planes and this imposes heavy financing program. Strategic position of domestic and foreign air routes good and strengthens company's long-range outlook. While earnings have increased, dividend payments not expected in near future owing to financial requirements.

Rating—C^3

N. Y., N. H. & Hartford: Company's earnings increase to a considerable extent due to savings in maintenance. New management energetically proceeding to improve property but long-term improvement will need more preparation and solution of some fundamental problems.

Rating—C^3

Consolidated Gas (Balt.): Stable earner in growing Baltimore region and aided by last year's rate increase. Earnings consequently have shown a moderate gain. Dividend secure for this good quality stock.

Rating—B^2

Inland Steel: One of the most successful records in the steel industry during the past year when other steels had declines in earnings. Next year's earnings should increase again owing to its position as low-cost producer which will have strong effect when production increases, as expected. Dividend can be raised and an eventual stock split would not surprise.

Rating—B^2

National Steel: Principally owing to labor difficulties this company's earnings did not make good showing in 1954 but decided improvement now expected. Dividend can be maintained.

Rating—B^2

Note: In some instances, where stocks have ben marked (3) — partial profit-taking suggested — this in no way should be construed as an unfavorable indication of the long-term prospects. It is merely a reference to the desirability of marking down costs, as temporary insurance. For persons desiring to retain these issues as long-term holdings, however, and who are not interested in accepting profits at this time and who may be in-

(*Please turn to page* 416)

CORRECTION

Our attention has been called to several inaccuracies in the chart on W. R. Grace & Co., which appeared in our November 27th issue. The company's earnings in 1953 were equal to $3.76 a common share. The amount of dividends paid in that year totaled $1.75 a share as compared with $1.60 a share in each of the three previous years. The next chart on W. R. Grace & Co., to appear in The Magazine will carry the revised figures.

Where Do Your Stocks Stand Today?

(*Continued from page* 415)

different to the possibility of temporary declines in market price, the suggestion to accept profits partially can be disregarded.

With reference to the rating (2) – a general recommendation to hold, but not make new purchases —some of the companies thus listed have undeniably good long-term prospects and, conceivably, the stocks could sell considerably higher. However, in view of the substantial rise in some of the stocks thus listed, it has been deemed best to suggest that the best policy would be to wait a more favorable buying opportunity for investors who have not as yet possessed the particular stock while those who already own it may be content with maintaining this position instead of adding to it, for the time being. —END

The Textiles

(*Continued from page* 394)

slightly more than $5 a share in the last five years, allowing for net profit this year comparing favorably with the 1953 showing of $5.30 a share. Dividends have approximated $2 a share annually until recently when directors recommended an increase to the equivalent of 55 cents quarterly coincident with a 2-for-1 stock split. This would mean establishment of the new stock on a $1.10 annual basis.

PACIFIC MILLS: One of the oldest and largest textile manufacturers, Pacific Mills is well diversified in its output. Cotton goods account for slightly less than half of volume, while an equal proportion consists of woolen and worsteds, whole rayons comprise about 10 per cent. Reflecting inventory difficulties as well as some high-cost problems in northern mills, earnings have fluctuated widely – about in line with many other companies in the industry. Since Burlington Mills acquired stock control this year, close co-operation with the larger concern was expected to provide for greater stability of operations. —END

Old Giants in New Growth Stage

(*Continued from page* 391)

nine months of 1953, the decline mirroring the lower rate of operations in the steel industry which accounts for alloy sales being down about 33 per cent from a year ago. Despite this setback, income, before depreciation and taxes, equal to 28 per cent of sales compared with 31 per cent for the 1953 period under comparison, although an increase of roughly $17 million this year in depreciation and amortization, brought those charges up to $69.1 million, reducing net income to $2.18 a share for the outstanding capital stock as compared with $2.72 a share during the first nine months of 1953.

Final 1954 results should be considerably better than the nine months' figures indicate. With the upturn in the steel industry, sales of UCC's ferro alloy division is understood to be making substantial gains and with business in other divisions also moving upward, fourth quarter sales are expected to be higher than in any of the first three quarters, surpassing the approximately $250 million rung up in the three months to the end of September. It appears conservative to estimate net for the full year at not less than $3.10 a share which, of course, gives no consideration to the cash flow from increased accelerated amortization charges.

These accelerated charges last year were on production facilities covered by Certificates of Necessity and totaled a little more than $31¼ million, and probably will be higher for 1954. In view of the expansion program then in progress and that contemplated for the next several years, UCC, in 1951, arranged with the Prudential Insurance and the Metropolitan Life Insurance companies for a loan aggregating $300 million, of which $200 million had been taken down up to the end of 1953. The remainder of the total was to be used as required. That portion of the loan now outstanding is secured by UCC's 100-year promissory notes, bearing interest at the rate of 3¾% per annum. There is no provision for a sinking fund and the notes may run to maturity in 2051, or paid off or reduced at UCC's option at any time before then without premium. UCC also has outstanding $130 million 20-year notes bearing a 2.7% annual interest rate, the principal maturing in the amount of $10 million each year to 1967. This financing met the immediate needs of the company in the rapid expansion of production facilities in the early postwar years.

The stock during 1954 has sold from a low of 70⅝ to a high of 85⅜. It is currently selling around 85¼, to yield on the current annual dividend rate of $2.50 a share 2.9%. This is a comparatively low rate, but it reflects the market's evaluation of the stock's long-term growth potentials which make it attractive for those investors willing to hold the shares for capital gain possibilities, and especially that type of investor who follows the practice of "dollar averaging." —END

Egypt and The Middle East

(*Continued from page* 383)

dependence on U.S. economic aid, private remittances and reparations is as great as ever. In fact, the reparations are being used to defray current payment deficits rather than for long-range projects. Costs are mounting as the development is extended into marginal, less fertile land and as additional underground water resources are tapped.

Iran's Oil Begins to Flow

With Iran's oil beginning to flow to world markets, the nearly bankrupt Iranian economy can go nowhere but up. Once the money comes in and American aid is made available, the Government intends to carry out a five-year development plan that is to cost nearly half a billion dollars. The main project is a dam on the Karaj river northwest of Teheran, to supply electricity and drinking water for the capital city. The Government of Premier Zahedi is planning also to distribute some 12 million acres of potentially productive land among landless peasantry. —END

— In The Next Issue —

—20 Stocks With Yearly Dividend Increases

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